

Presentation of the Annual Report 2025

David López Salido
Director General Economics
18 June 2026

1

Overview and outlook

2

**Housing market
challenges: affordability
problems and supply-side
constraints**

3

**The productivity challenge
and business growth: the
role of financing**

1

Overview and outlook

2

**Housing market
challenges: affordability
problems and supply-side
constraints**

3

**The productivity challenge
and business growth: the
role of financing**

2025 and 2026: turbulent years for the global economy



Volatility in tariff levels has contributed to the turbulence

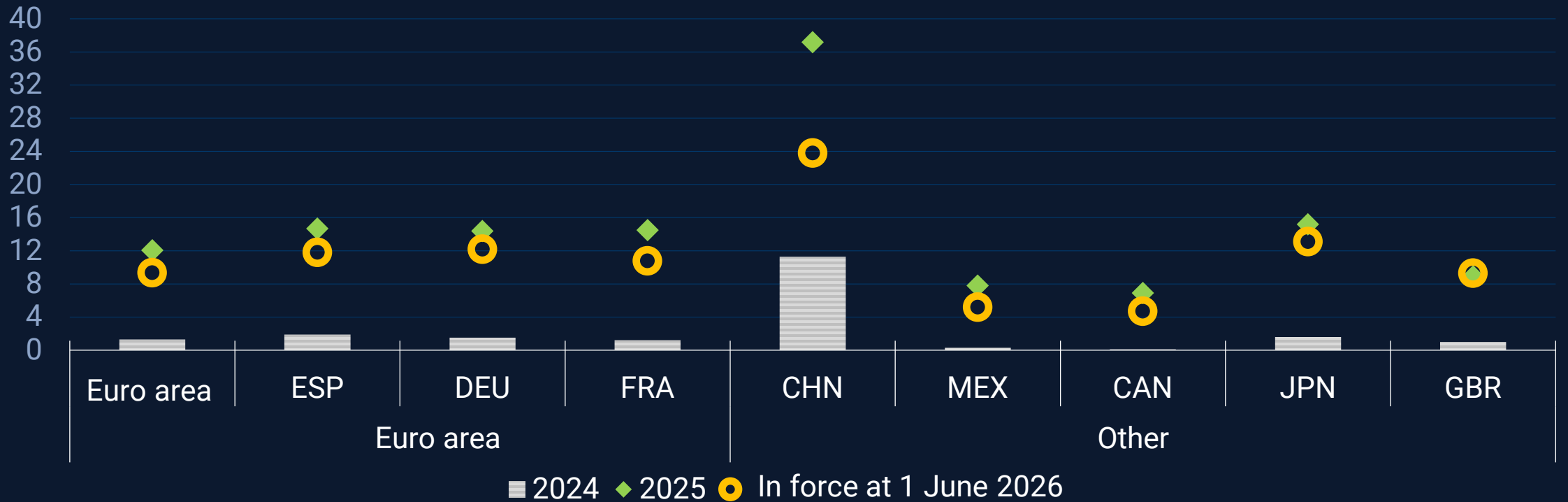
EFFECTIVE TARIFFS APPLIED BY THE UNITED STATES (%)



Sources: Global Trade Alert and Banco de España. The effective tariff borne by a country is calculated by multiplying the tariff on each product by the proportion of such product in the country's total exports to the United States.

US tariff decisions have had uneven effects across countries

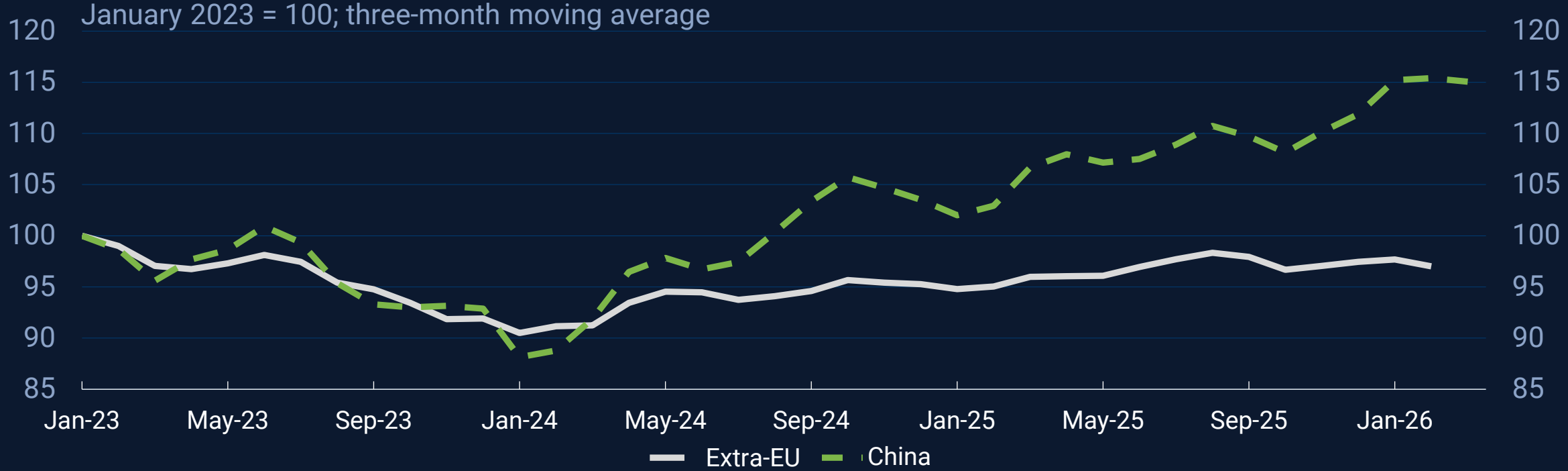
EFFECTIVE TARIFFS APPLIED BY THE UNITED STATES (%)



Sources: Global Trade Alert and Banco de España calculations. Current tariffs include the 10% global tariff under Section 122 (due to expire in July 2026) and the new tariffs on metals and their derivative products. Following the annulment of the reciprocal tariffs, the clause in the EU-US agreement establishing a 15% floor is assumed to be null and void; only the 15% ceiling for sectors subject to Section 232 remains. The 10% tariff under Section 122 acts as a temporary duty and does not reinstate the 15% minimum.

Against this background, since 2024 EU imports from China have grown far more than those from the rest of the world, pushing prices down

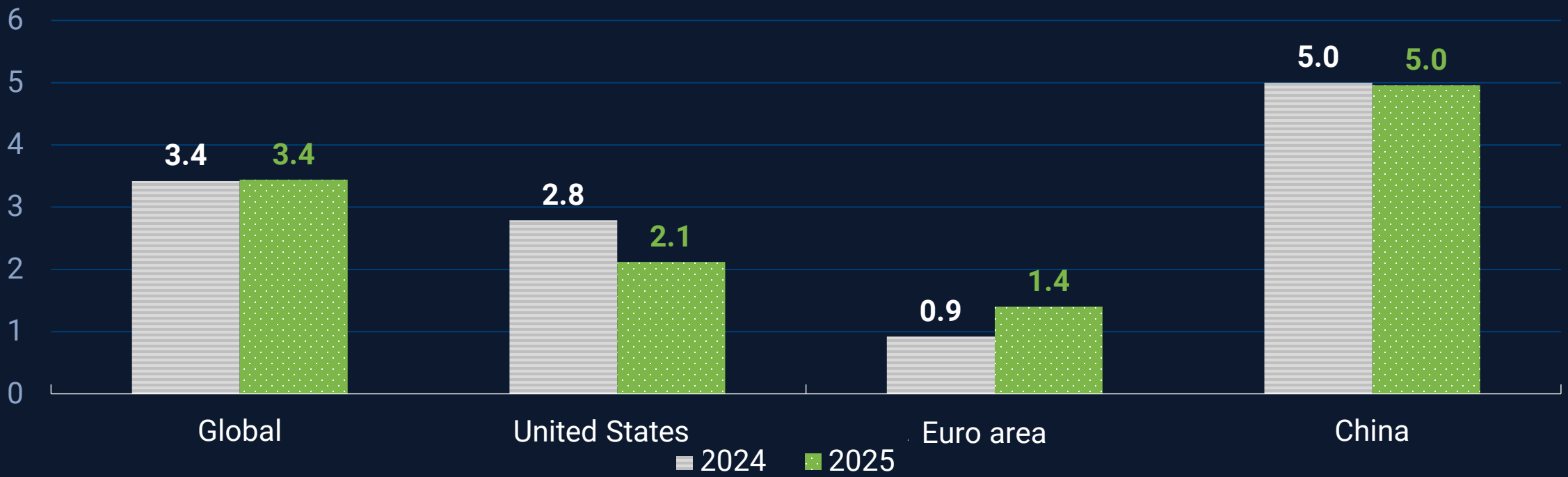
VOLUME OF EU IMPORTS



Source: Eurostat. Volume indices adjusted for calendar and seasonal effects and unit value indices of EU imports.

The global economy showed resilience in 2025, in the face of increased uncertainty

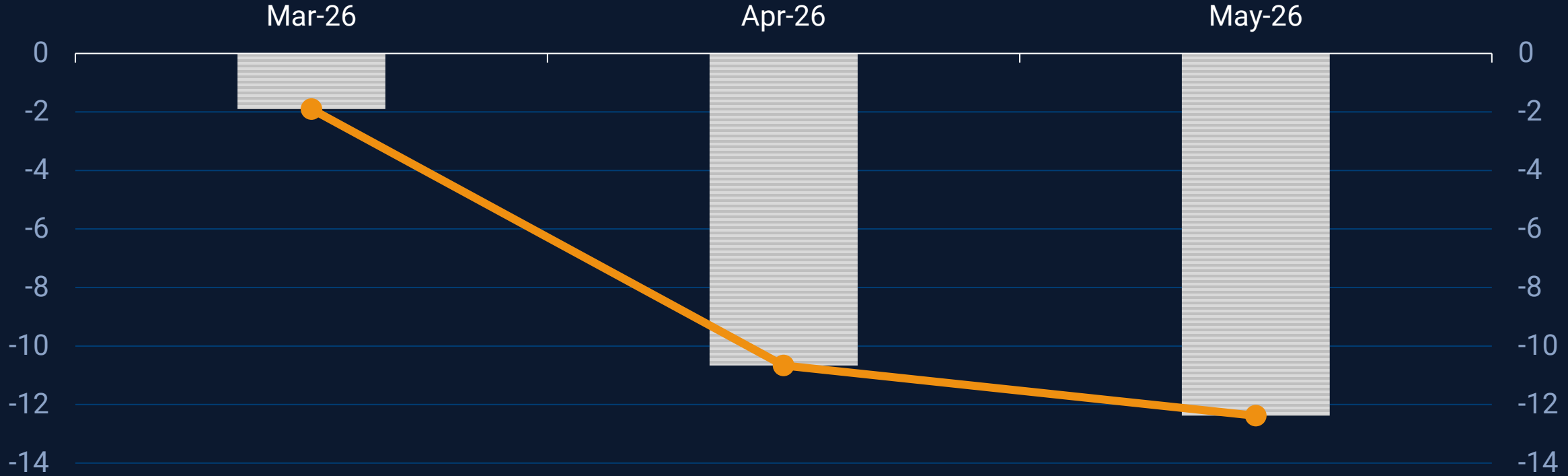
GDP GROWTH (%)



Source: IMF (World Economic Outlook).

The conflict in the Middle East has caused an unprecedented drop in oil production

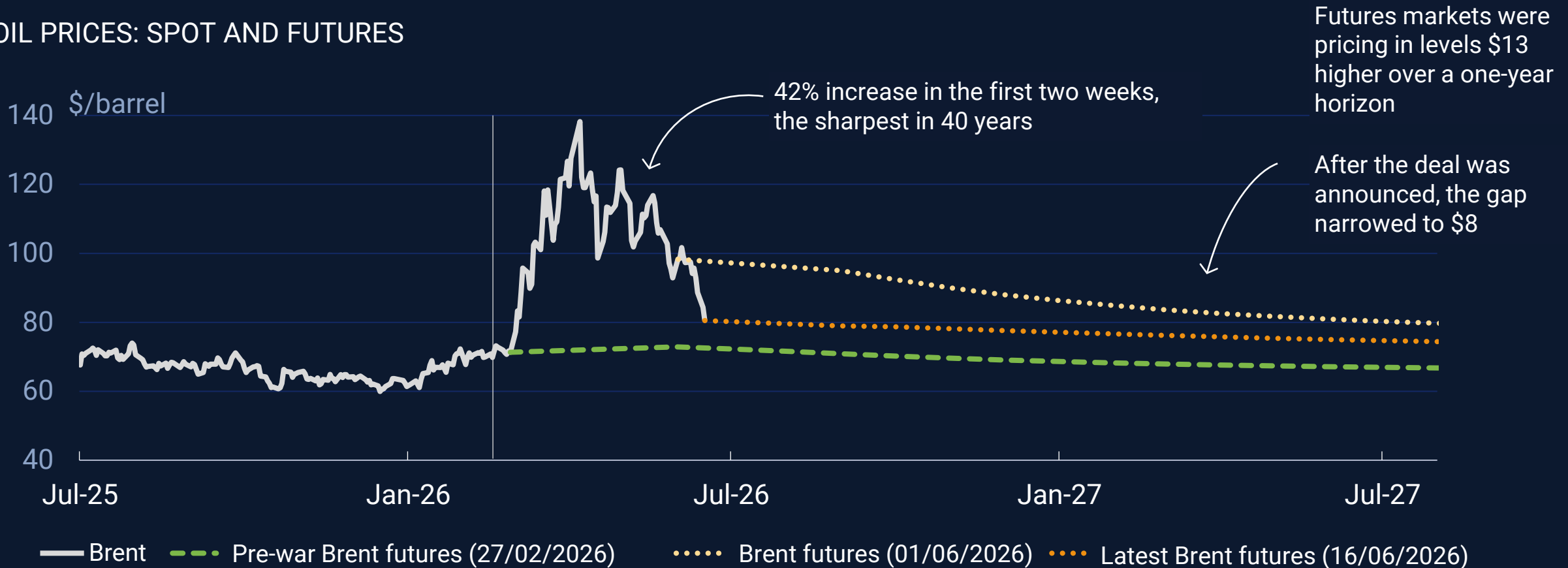
DECLINE IN GLOBAL OIL PRODUCTION IN 2026 FOLLOWING THE CLOSURE OF THE STRAIT OF HORMUZ



Source: IEA.

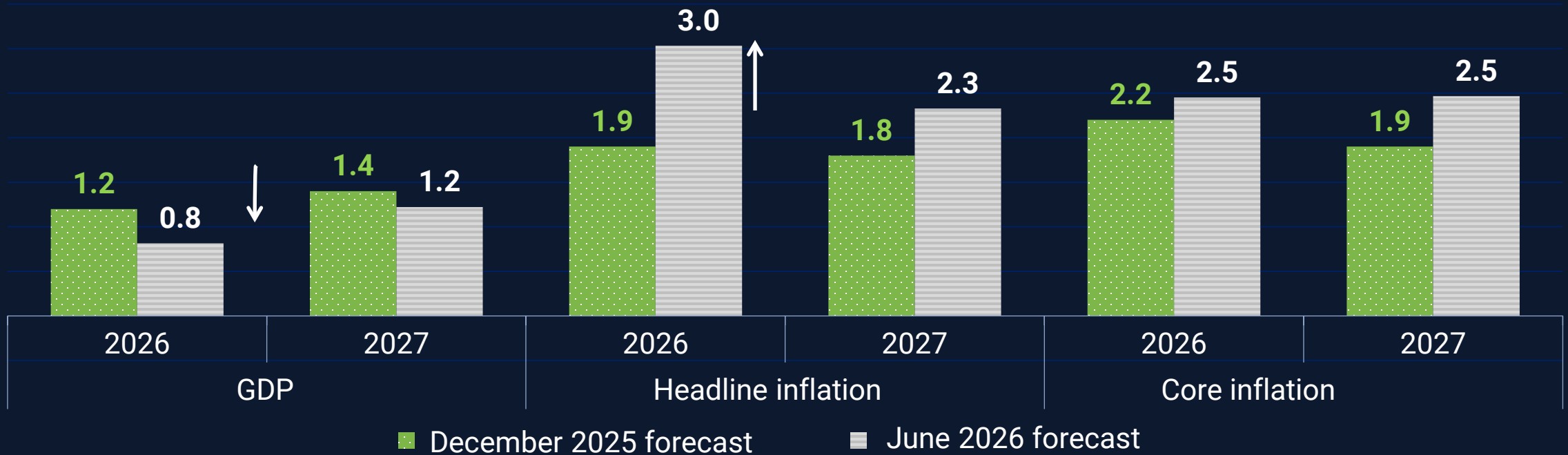
A shock with a significant impact on oil prices

OIL PRICES: SPOT AND FUTURES



The June 2026 projections imply higher inflation and somewhat lower growth in the euro area

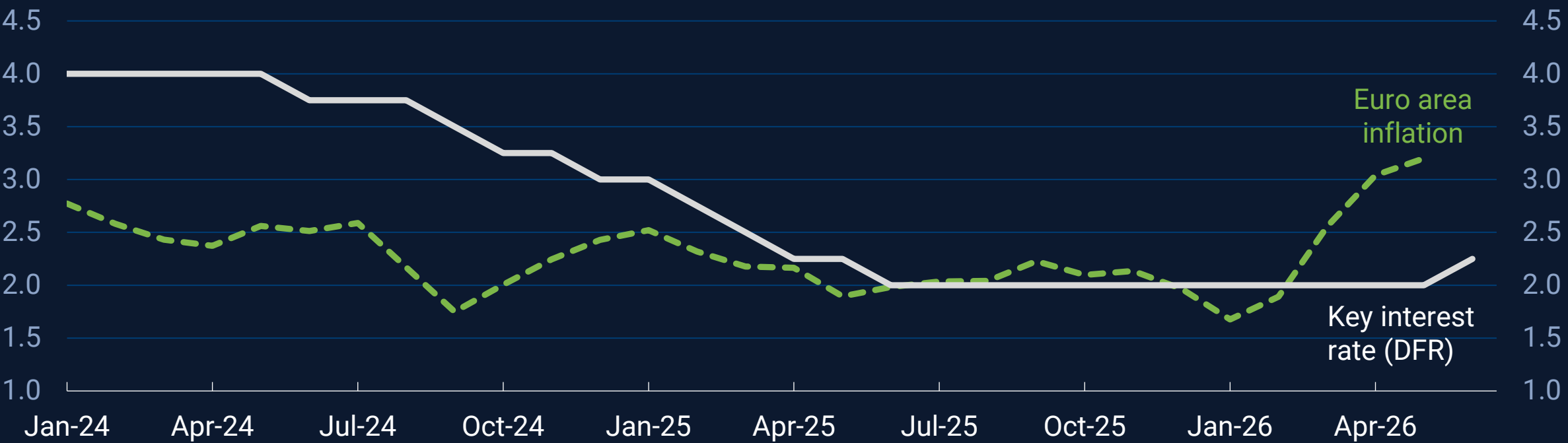
DECEMBER 2025 AND JUNE 2026 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS



The monetary policy response

In June the ECB raised interest rates by 25 basis points to contain inflationary pressures

EURO AREA KEY INTEREST RATE (%)



Sources: Eurostat and ECB. Monthly data at month-end. The key interest rate is the deposit facility rate.

1

2

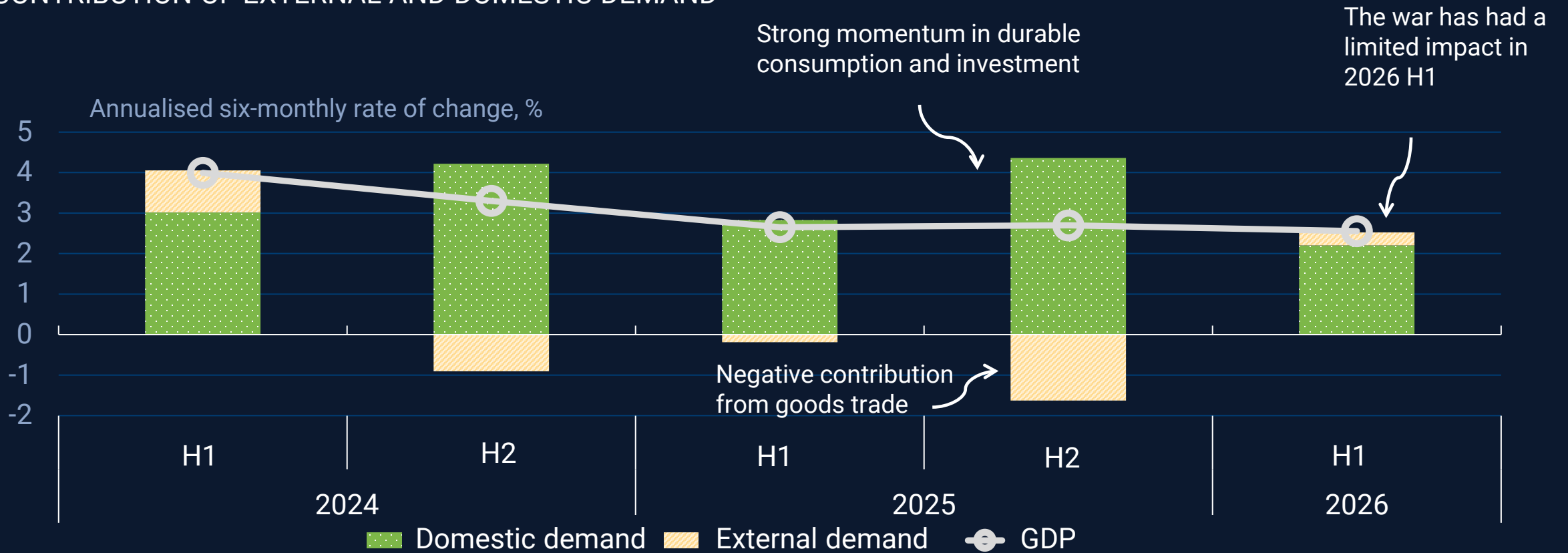
3

Key aspects of the Spanish economy's growth in 2025

- GDP **grew by 2.8% in 2025** (0.7 pp less than in 2024), **outpacing the euro area** (1.4%) and the major European countries. **GDP per capita grew by 1.8%**, also above the euro area figure (1.1%)
- **Strong population dynamics, along with higher productivity gains and investment growth**, helped raise the economy's potential growth to over 2%
- Spain's stronger growth in recent years reflects the positive impact of different underlying **supply-side factors**:
 - **Lower energy prices than in other European economies** thanks to a higher share of renewables in the energy mix
 - **Better harnessing of tourism capital stock** through seasonal diversification
 - **Strong labour supply** underpinned by migratory flows

Buoyant domestic demand underpinned GDP growth in 2025

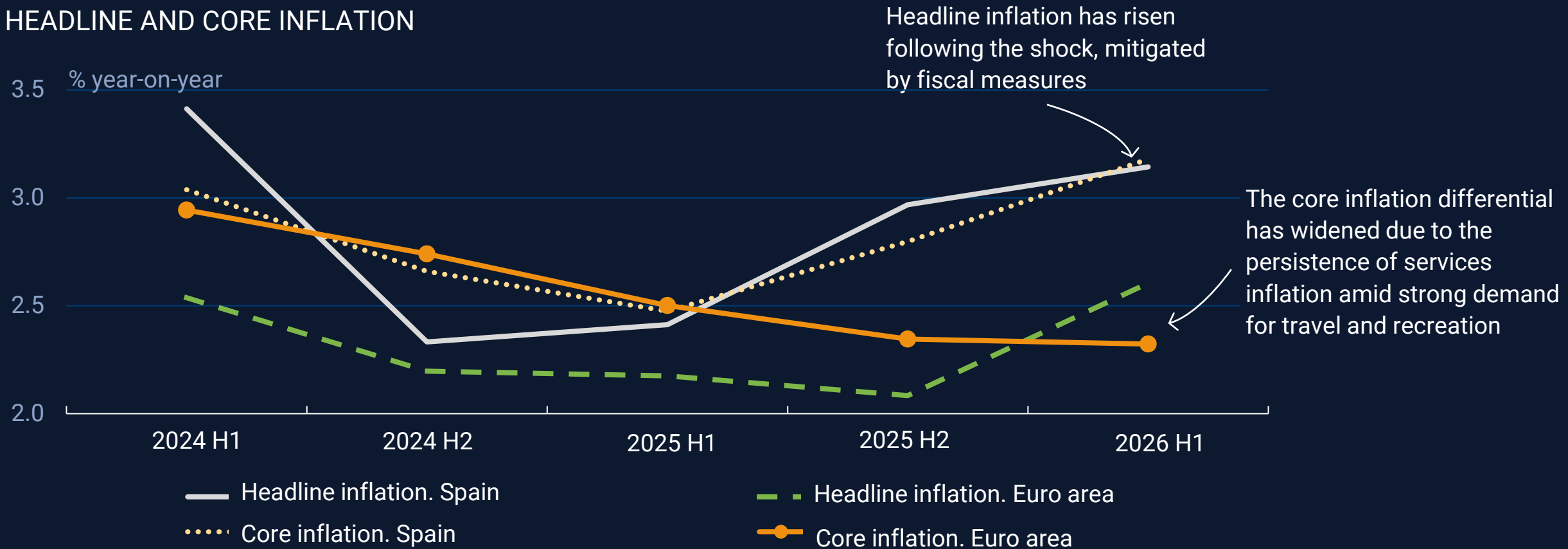
CONTRIBUTION OF EXTERNAL AND DOMESTIC DEMAND



Source: INE.

However, the inflation differential with the euro area has widened

HEADLINE AND CORE INFLATION



Sources: Eurostat and INE.

Although wage growth is in line with European trends

COMPENSATION PER EMPLOYEE

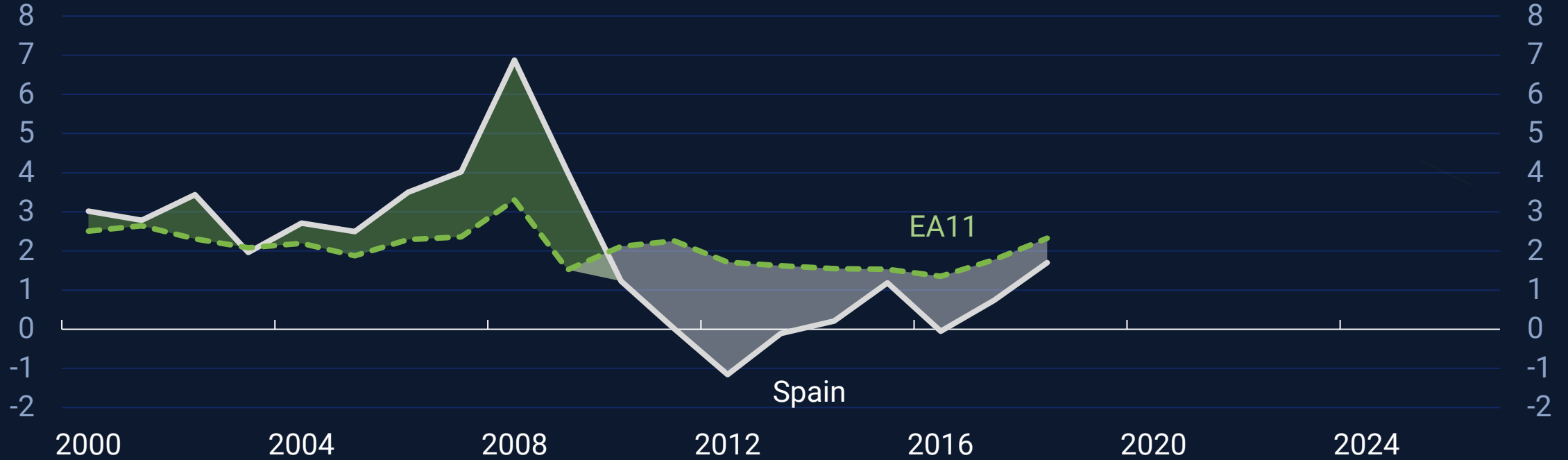


Sources: INE, Eurostat, AMECO and Banco de España. EA11: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

Although wage growth is in line with European trends

COMPENSATION PER EMPLOYEE

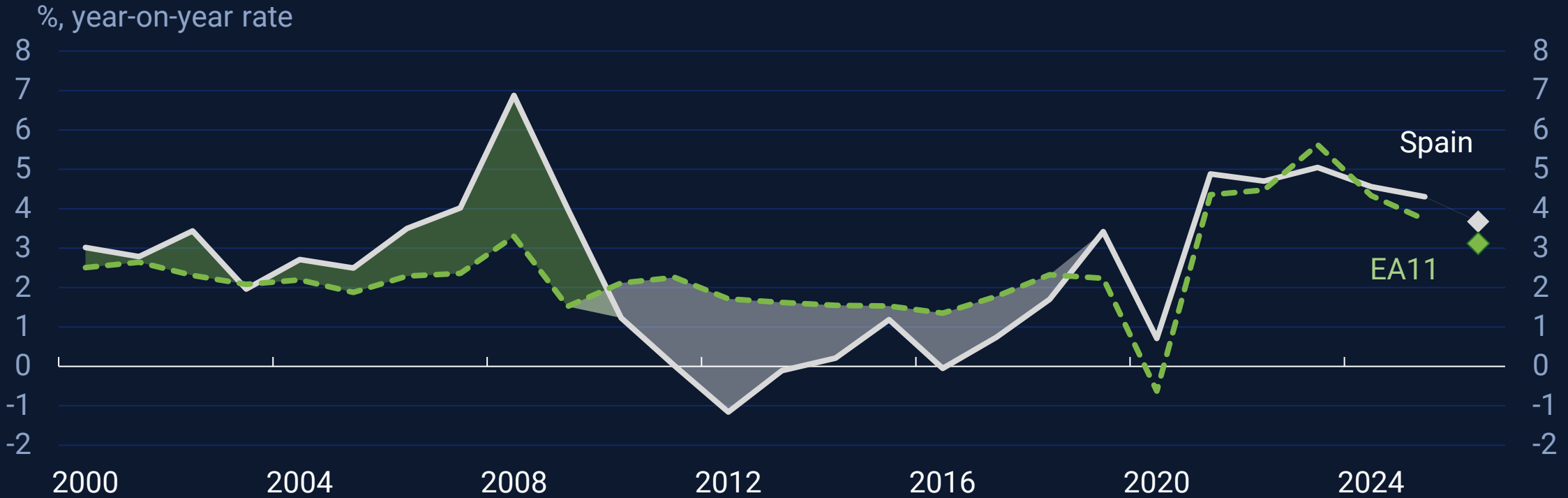
%, year-on-year rate



Sources: INE, Eurostat, AMECO and Banco de España. EA11: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

Although wage growth is in line with European trends

COMPENSATION PER EMPLOYEE

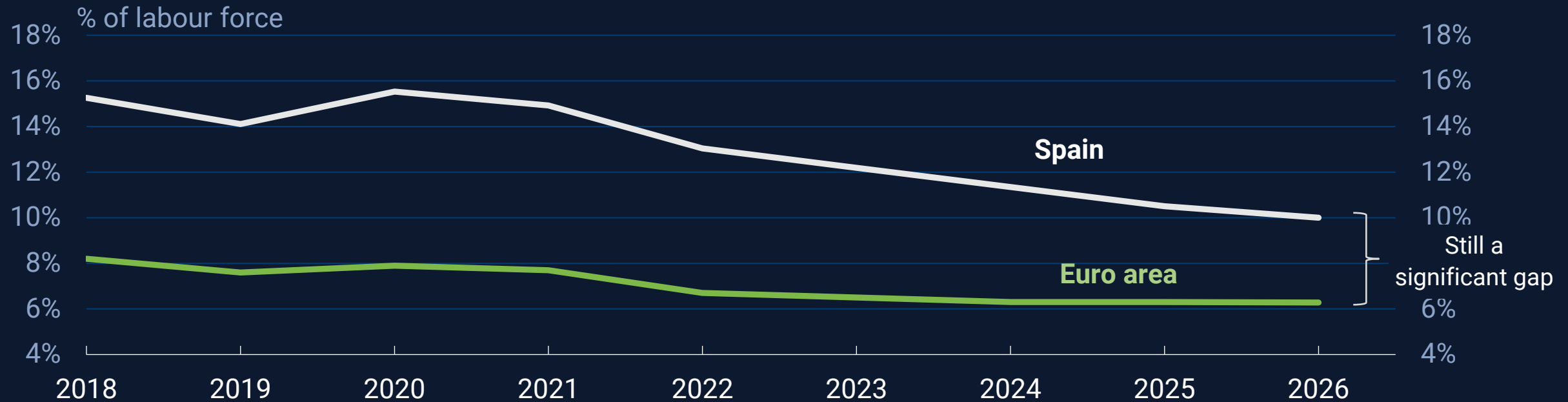


Sources: INE, Eurostat, AMECO and Banco de España. EA11: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

The labour market remains robust

The trend of strong job creation and declining unemployment rates has continued

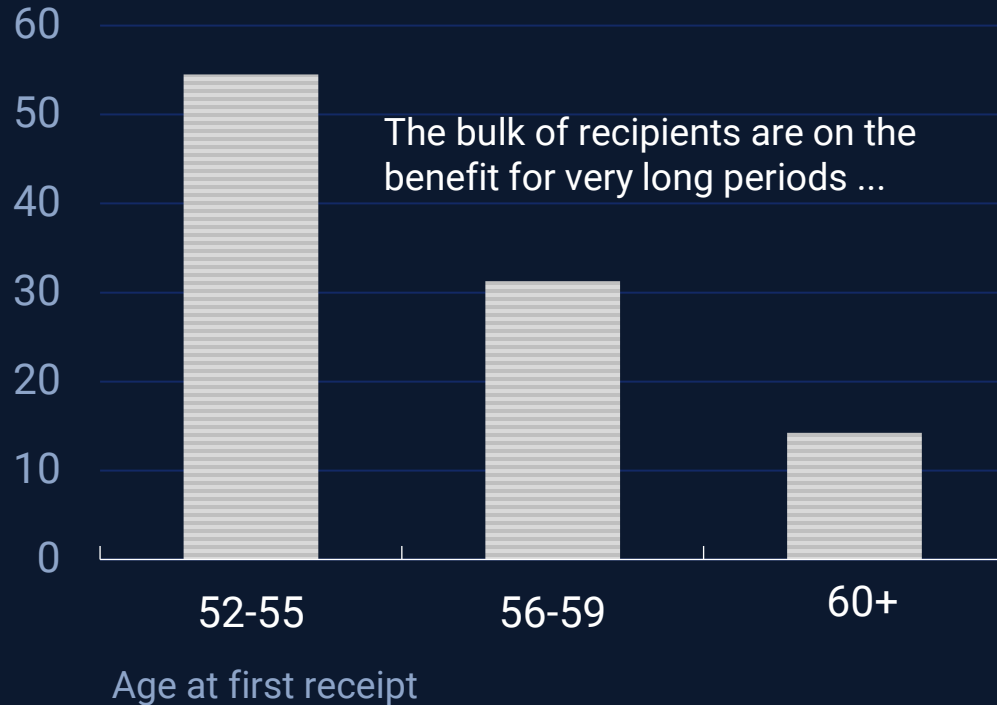
UNEMPLOYMENT RATE



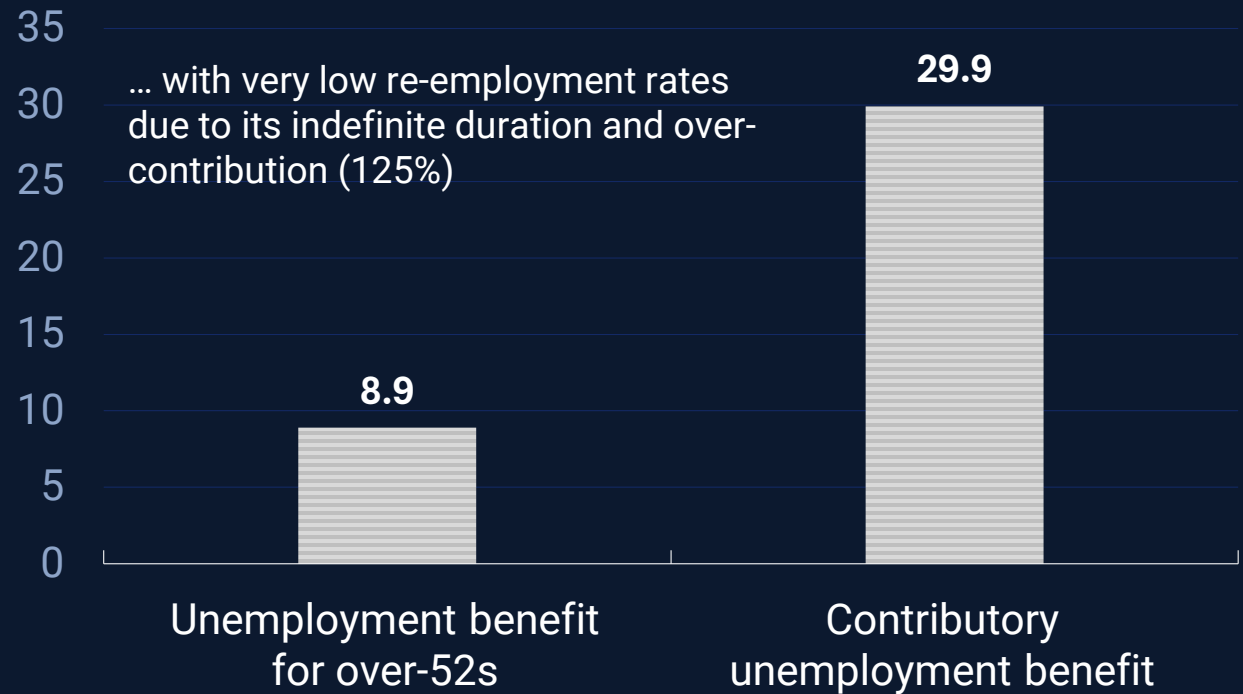
Sources: Eurostat, INE and Banco de España.

There is still a need for more effective active labour market policies and to ensure adequate incentives to return to work

UNEMPLOYMENT BENEFIT FOR OVER-52s. AGE DISTRIBUTION OF BENEFICIARIES IN 2024 (%)



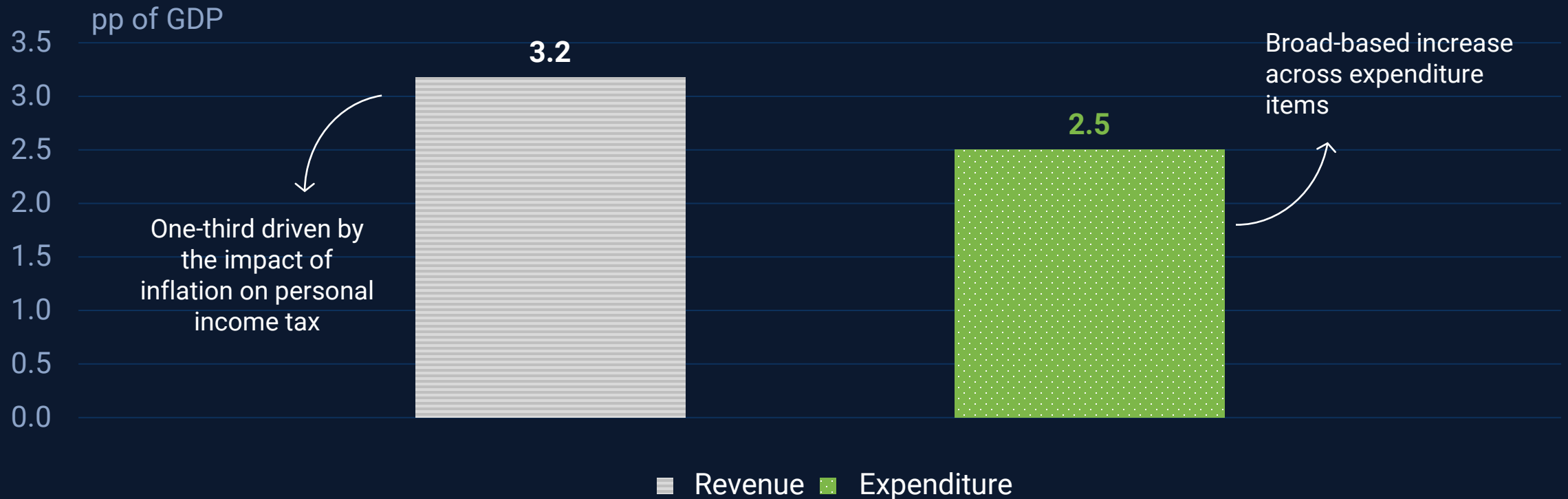
PROBABILITY OF FINDING EMPLOYMENT (%) (a)



Source: Banco de España calculations, drawing on the social security administrative labour record (MCVL, by its Spanish initials). (a) Probability of working at least one day in 2022 among recipients in 2021 of the unemployment benefit for over-52s or the contributory unemployment benefit.

Expenditure has grown at a pace similar to revenue, against a backdrop of robust tax revenue

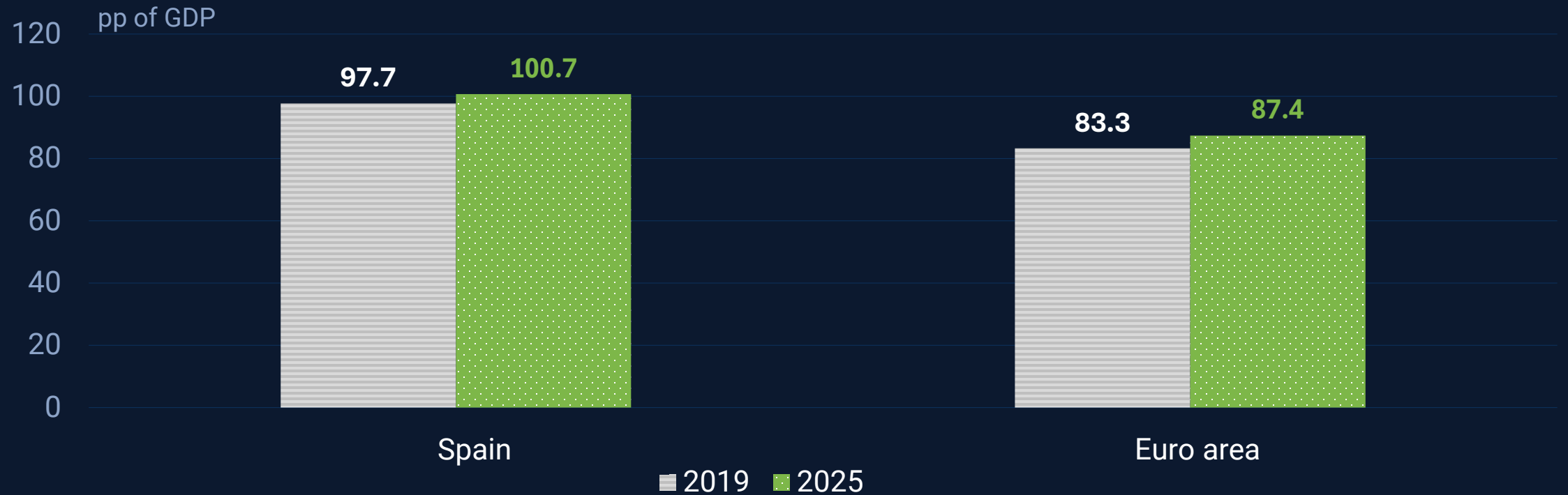
CHANGE IN GOVERNMENT EXPENDITURE AND REVENUE IN SPAIN BETWEEN 2019 AND 2025



Sources: Banco de España and IGAE. Excluding amounts from the Recovery and Resilience Facility.

Public debt remains above pre-pandemic levels, despite the strong growth in government revenue and favourable GDP developments

PUBLIC DEBT

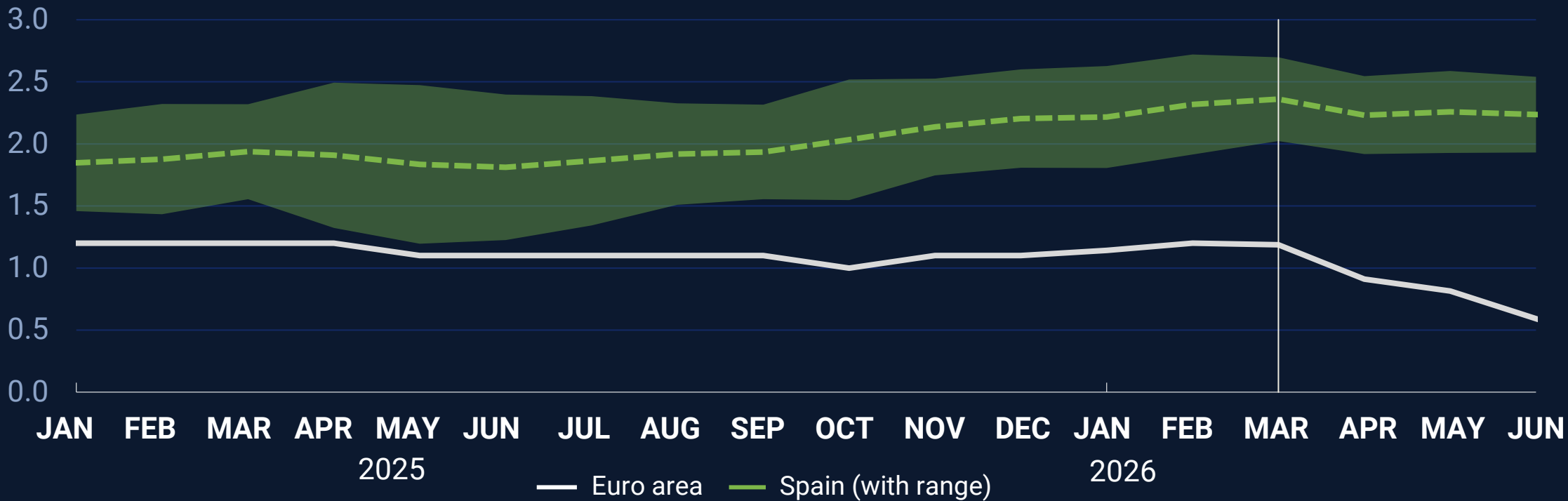


The background features a magnifying glass with a dark handle and a circular lens. The lens is positioned over a blurred image of a financial report. The report includes a bar chart with red bars and a data table with numerical values. The text is centered in the middle of the page in a white, bold, sans-serif font.

JUNE 2026 UPDATE TO THE MACROECONOMIC PROJECTIONS

In 2026, the Spanish economy is expected to remain more resilient than the euro area

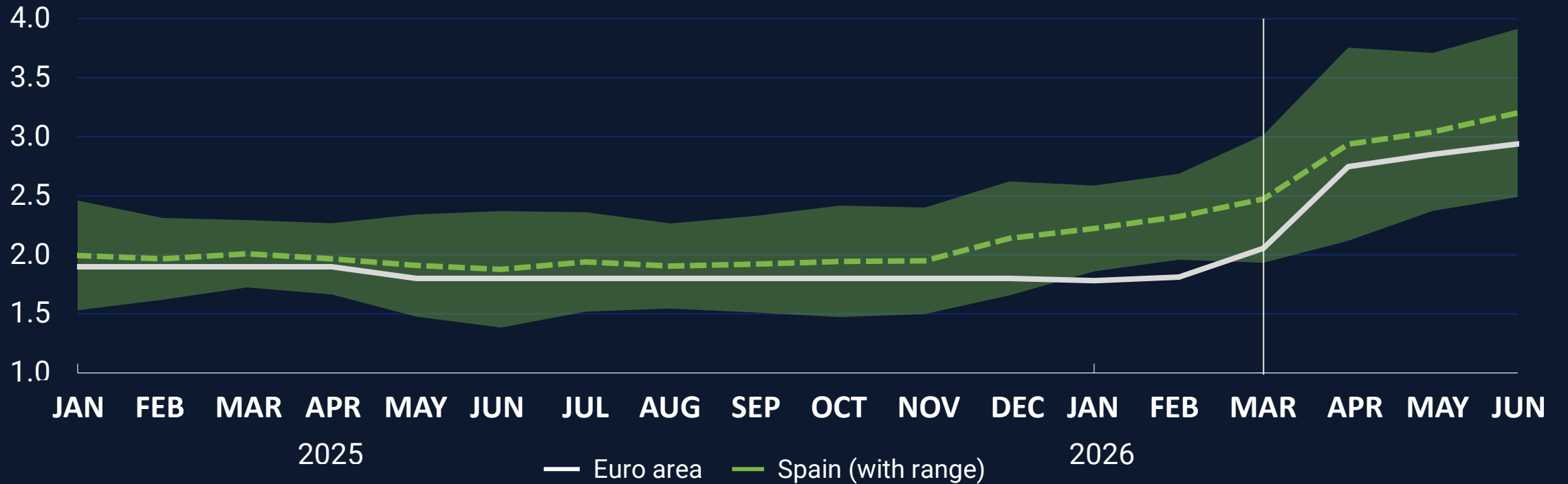
GDP GROWTH CONSENSUS FORECASTS FOR 2026, BY PUBLICATION DATE (%)



Source: Consensus Economics.

... against a backdrop of rising inflation owing to the energy shock

INFLATION CONSENSUS FORECASTS FOR 2026, BY PUBLICATION DATE (%)



Source: Consensus Economics.

The June 2026 update to the macroeconomic projections shows persistently robust growth and an uptick in inflation

	2025	2026	Change compared with March	2027	Change compared with March
GDP	2.8	2.3	0.0	1.7	0.0
Net exports (contribution)	-0.7	-0.4	0.3	0.0	0.0
Domestic demand (contribution)	3.5	2.7	-0.3	1.7	0.0
Inflation	2.7	3.6	0.6	2.6	0.1
Core inflation	2.6	3.2	0.5	3.2	0.5
Employment (persons employed)	2.7	2.2	0.0	1.5	0.3
Unemployment rate	10.5	10.0	0.1	9.8	0.2
General government deficit (% of GDP)	2.4	2.4	0.1	2.3	0.0

1

Overview and outlook

2

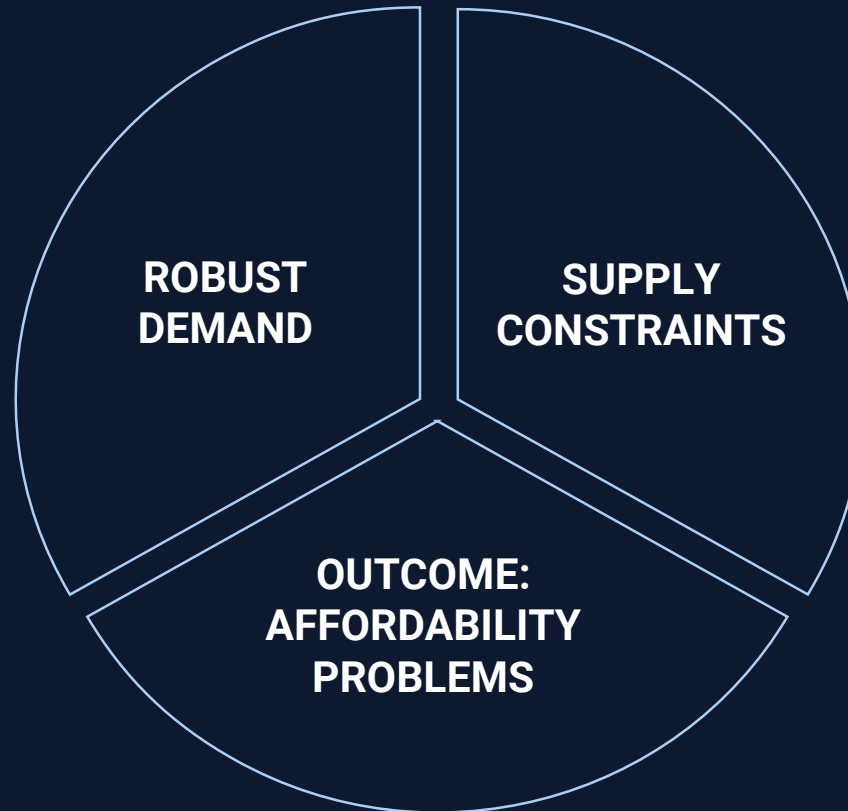
**Housing market
challenges: affordability
problems and supply-side
constraints**

3

**The productivity challenge
and business growth: the
role of financing**

Affordability problems and constraints on supply growth are the main challenges facing the housing market.

- Demographic growth
- Economic growth: employment and household income
- Easing of financial conditions
- Other sources of demand: tourist dwellings, non-residents

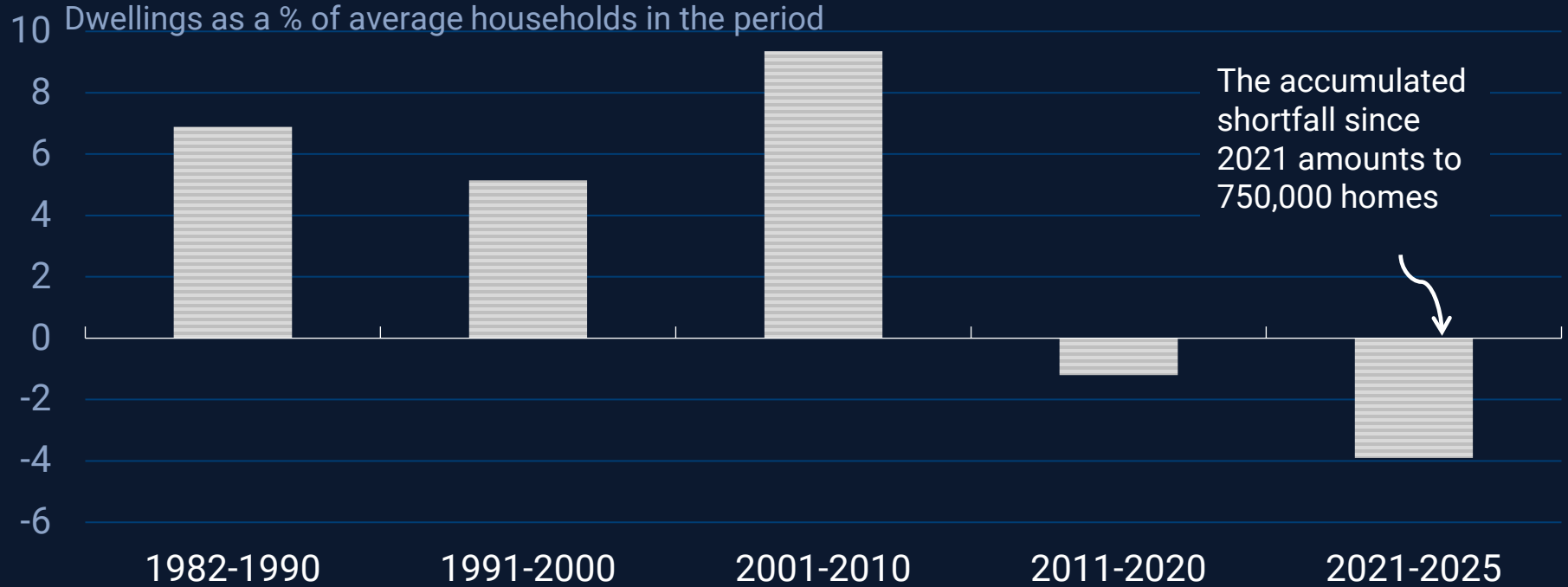


- Land and urban planning
- Productivity, profitability and firm size
- Labour shortages

- House purchase **prices** and **rents** are, on average, **growing faster** than household **income**

Household formation is outpacing new housing supply, worsening the housing shortfall that has accumulated since 2021

ACCUMULATED SHORTFALL BETWEEN NEW HOUSING CONSTRUCTION AND NET HOUSEHOLD FORMATION



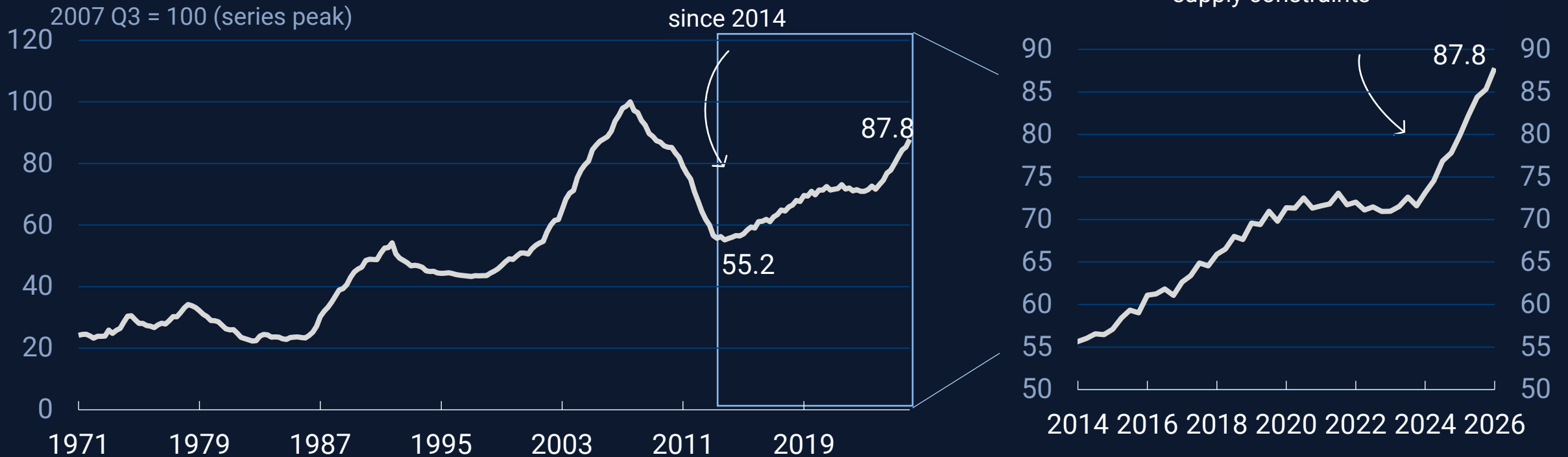
Accumulated shortfall 2021-25, as a % of average households

- Portugal: -7%
- Netherlands: -4.7%
- Spain: -3.9%
- Italy: -1.5%
- France: -0.02%
- Germany: 0.5% (more housing starts than new households)

Source: Banco de España, drawing on data from Eurostat, INE and Ministerio de Transportes and Movilidad Sostenible. The shortfall is calculated, for each period considered, as the difference between the number of residential units completed and the change in the number of resident households. For the euro area, Germany, France, Italy and Portugal, the housing shortfall is calculated as the cumulative sum of the differences, in each year between 2021 and 2025, between residential units approved two years earlier (to account for estimated construction time) and net household creation. For Spain, the housing shortfall is calculated as the sum of the difference, in each year between 2021 and 2025, between residential units completed and net household creation.

Real house prices stand at 2005 levels, driven by higher real household income, and have been accelerating since 2024

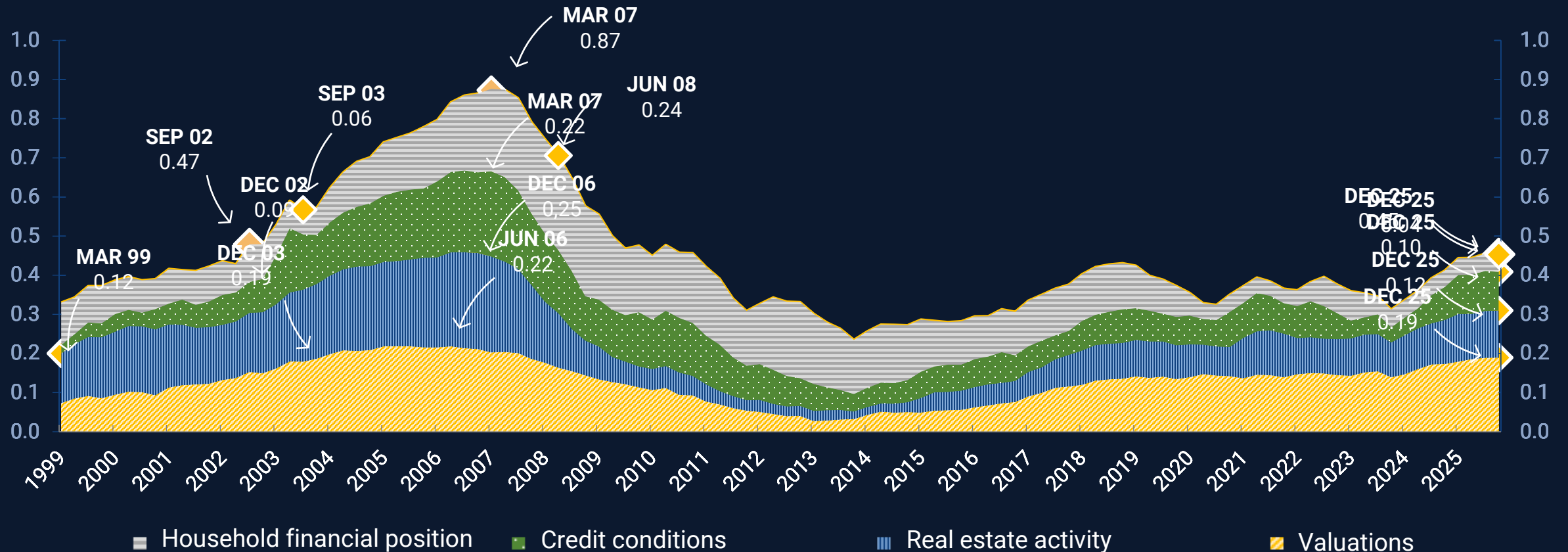
REAL HOUSE PRICES



Source: Banco de España, drawing on data from INE and BIS.

Real estate risks to financial stability are contained ...

SYNTHETIC INDICATOR OF RISK ASSOCIATED WITH THE REAL ESTATE MARKET

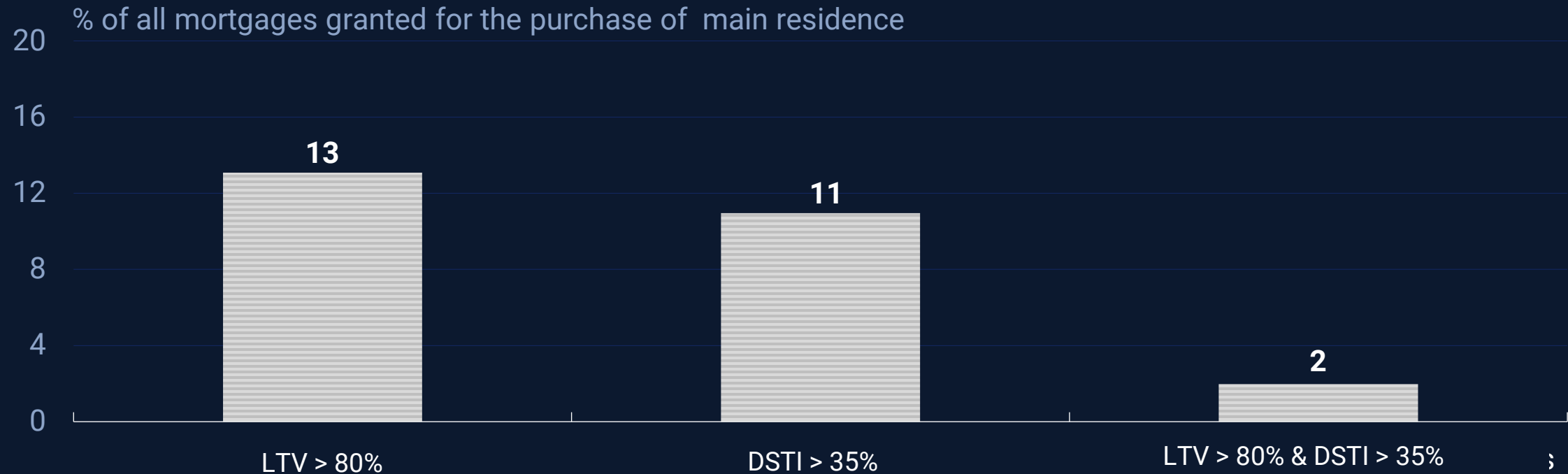


Sources: Banco de España, INE and authors' calculations. Latest observation: December 2025.

The Banco de España uses a synthetic indicator (based on a wide range of indicators) to assess the systemic risk associated with the housing market.

... and the share of higher-risk mortgages for the purchase of a main residence remains limited

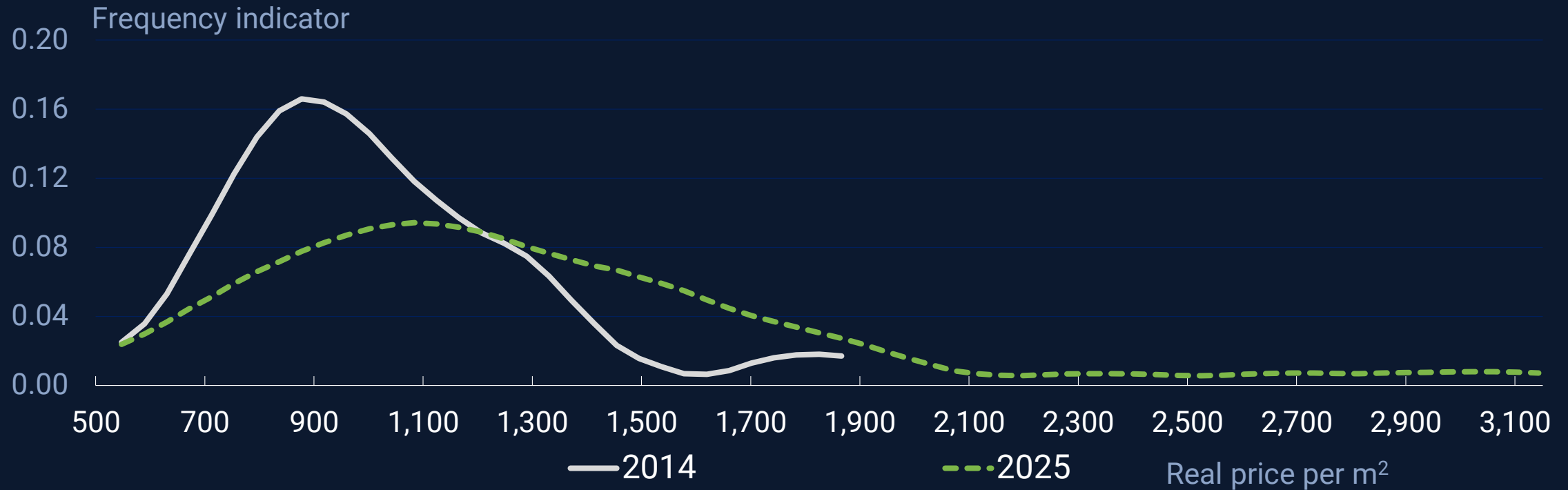
MORTGAGES FOR THE PURCHASE OF A MAIN RESIDENCE, BY RISK THRESHOLD



Source: Banco de España. Mortgages granted to households in 2025 for the purchase of a main residence. This takes account of houses at market price and the first home purchase. The three categories depicted are mutually exclusive. A loan is considered high relative to the value of the collateral when the loan-to-value ratio exceeds 80%. A mortgage instalment is considered high when the debt service-to-income ratio exceeds 35% of the household's net income.

Real house price rises are concentrated in certain areas and give rise to greater territorial dispersion ...

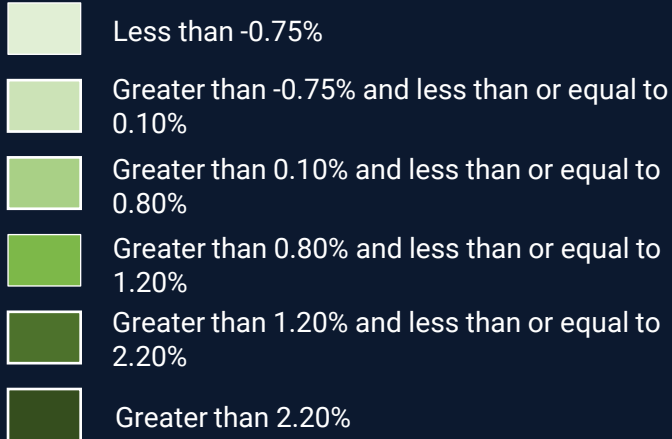
DISTRIBUTION OF REAL HOUSE PRICES PER IN URBAN AREAS BETWEEN 2014 AND 2025



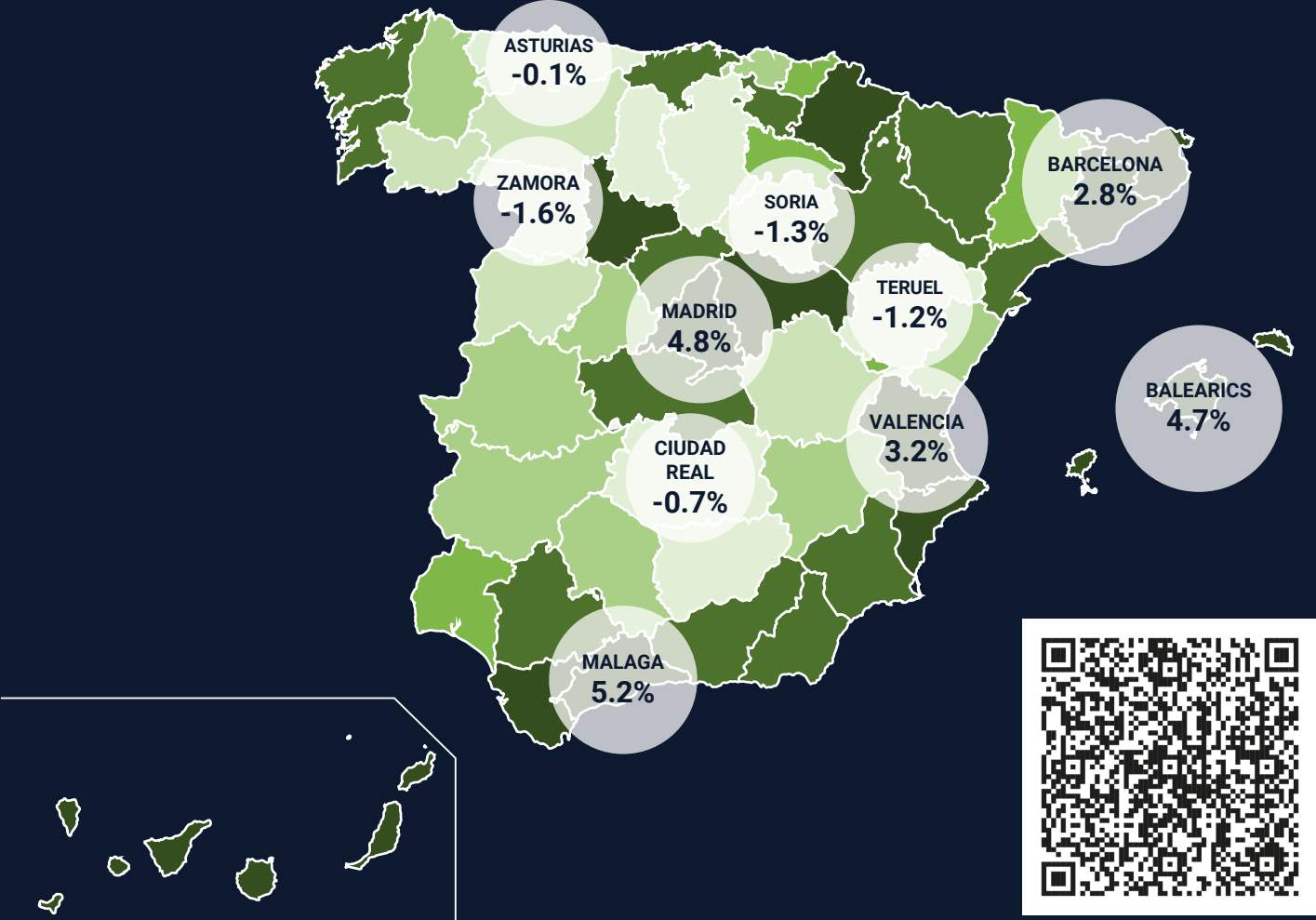
Source: Banco de España, drawing on data from the General Council of Notaries and INE. The chart compares the distribution of average real house prices per square metre in the 65 areas in the common fiscal territory in 2014 and 2025. For each year, a kernel density is estimated based on observations of the average price per square metre. The prices are shown in real terms, deflating nominal prices using the consumer price index, with 2021 taken as the baseline (2021 = 100).

... concentrated in the provinces where demand is highest ...

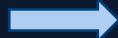
Average annual increase in real house prices (2014-25):



AVERAGE ANNUAL INCREASE IN REAL HOUSE PRICES (2014-25)

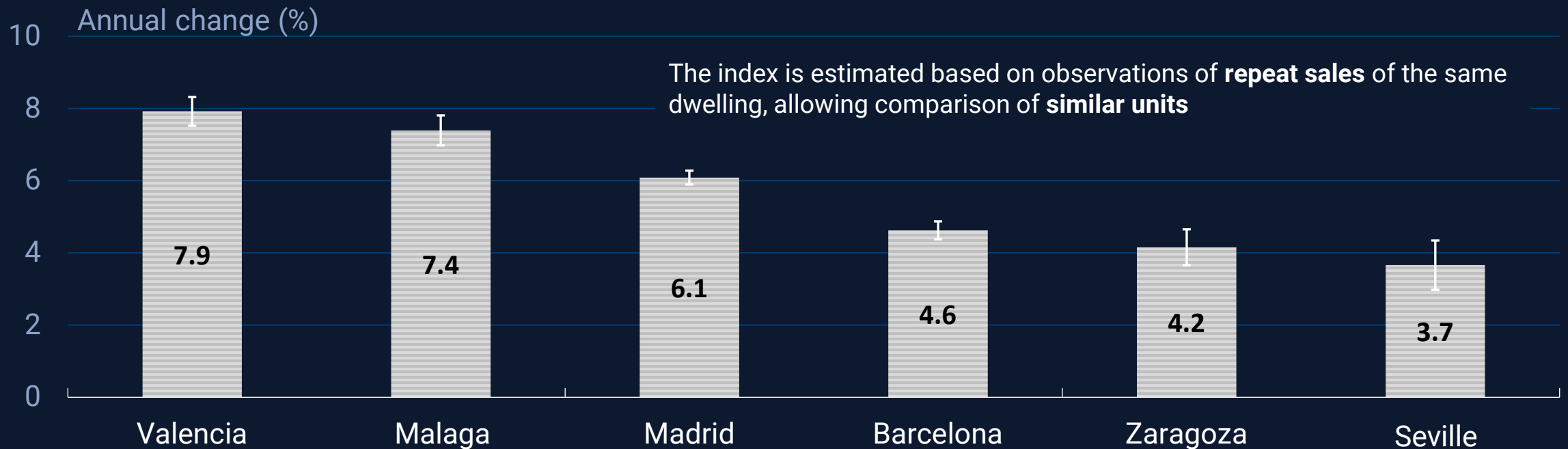


Source: Banco de España, drawing on data from the General Council of Notaries and INE.



... with price growth significantly higher in the large urban areas

AVERAGE ANNUAL GROWTH IN THE CASE-SHILLER REAL HOUSE PRICE INDEX (2014-24)



Source: Banco de España, drawing on data from the General Council of Notaries. The index is estimated based on observations of repeat sales of the same dwelling. For each property, the log change in the price between the current sale and the previous sale is calculated, and a regression with time effects is estimated, using weights that are inversely proportional to the variance of the error component modeled as a function of the time lapsed between the two sales. The sample is restricted to the observations for that area. Standard errors and 95% confidence intervals for the price index are calculated using clustering by district where the dwelling is located and by transaction year.

A close-up photograph of a hand holding a set of keys, with another hand open below it, suggesting a handover. The image is overlaid with a dark blue semi-transparent filter. The word "RENTING" is centered in white, bold, uppercase letters.

RENTING

Higher housing prices can also be seen in rising rents for new contracts ...

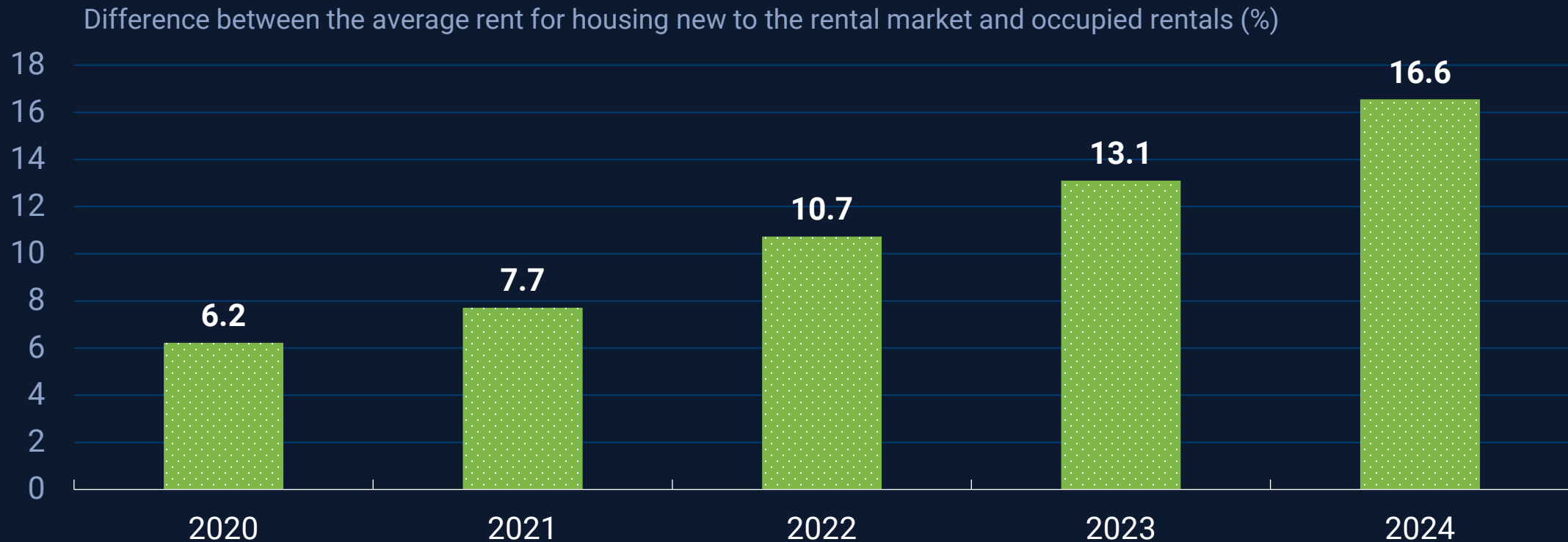
ANNUAL AVERAGE RENT GROWTH BETWEEN 2019 AND 2024



Source: Banco de España, drawing on data from AEAT and INE. "Rental market average" refers to the average rent per m² of all rented dwellings. "Rent revisions" refers to contracts that remain in place for two consecutive years. "New contracts" refers to newly signed contracts.

... with a greater increase in the rents of houses new to the rental market

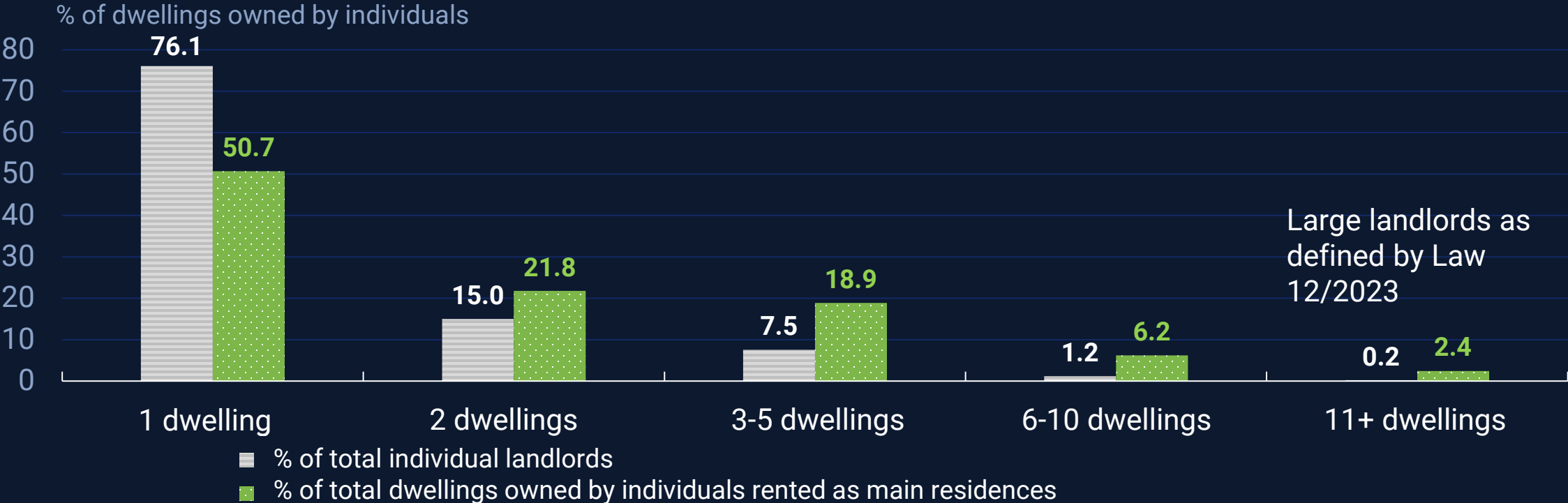
ENTRY PREMIUM ON RENTS FOR NEWLY RENTED UNITS



Source: Banco de España, drawing on data from AEAT. The entry premium in period t is calculated as the ratio of the average rent of housing entering the market in period t to the average rent of housing which continues to be rented in periods t and $t-1$. Prices are in euro per m^2 . The geographical composition is adjusted by calculating the entry premium for each census tract, which are subsequently aggregated by weightings in proportion to the rented floor area of the rental housing inflows.

Rental market share is not highly concentrated on aggregate – nearly 90% of properties are privately owned

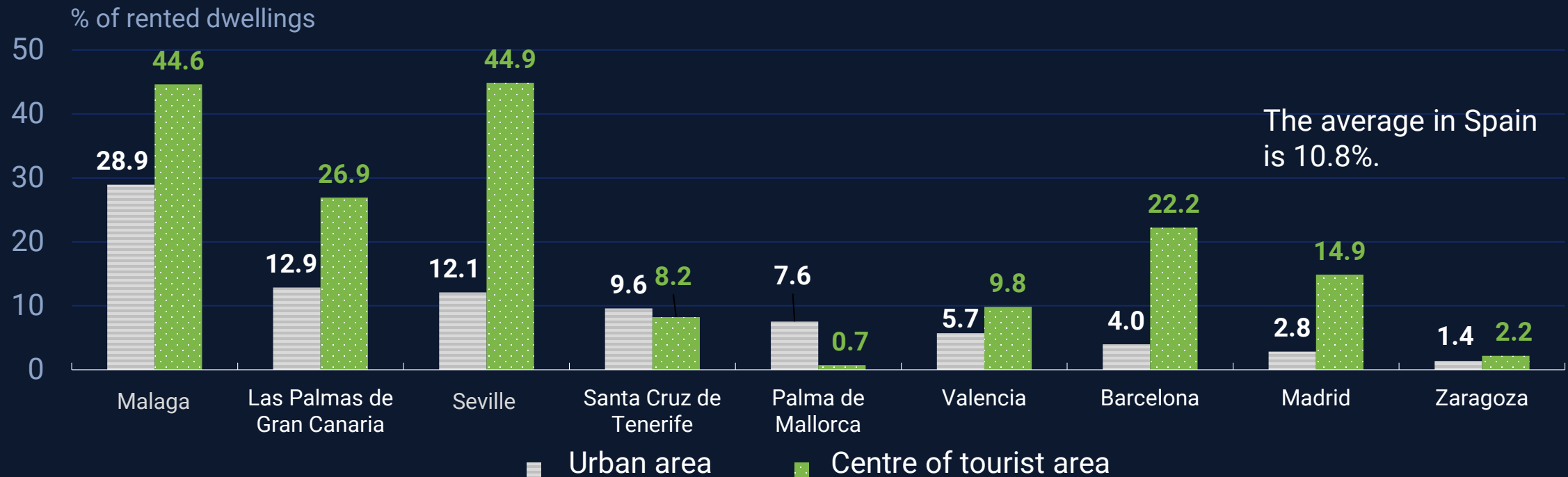
OWNERSHIP STRUCTURE OF DWELLINGS RENTED AS MAIN RESIDENCES IN 2024



Source: Banco de España, drawing on data from AEAT. Real estate assets owned by individuals and rented as main residences in the common tax territory. Owners are classified by ranges according to the number of dwellings they own, irrespective of the ownership share they hold in those dwellings. The number of dwellings includes those not divided into separately registered units, which may reduce the total number of dwellings owned by landlords.

Tourist dwellings play a significant role on the Balearics and Canaries, along the Mediterranean coast and in the tourist areas of large cities

SHARE OF TOURIST DWELLINGS IN THE RENTAL MARKET IN 2025



Source: Banco de España, drawing on data from INE and AEAT. In this analysis, rental housing includes residential rentals owned by individuals and tourist rentals, but no information is available to include other relevant categories, such as seasonal or room rentals and residential rentals owned by corporations. The tourist area centre is defined as the census tracts of the capital of an urban area that are nearest to the census tract with the highest concentration of tourist dwellings. The tourist area is defined by using a radius based on a relative distance from this centre.

AFFORDABILITY



The housing purchase burden is rising faster than household income ...

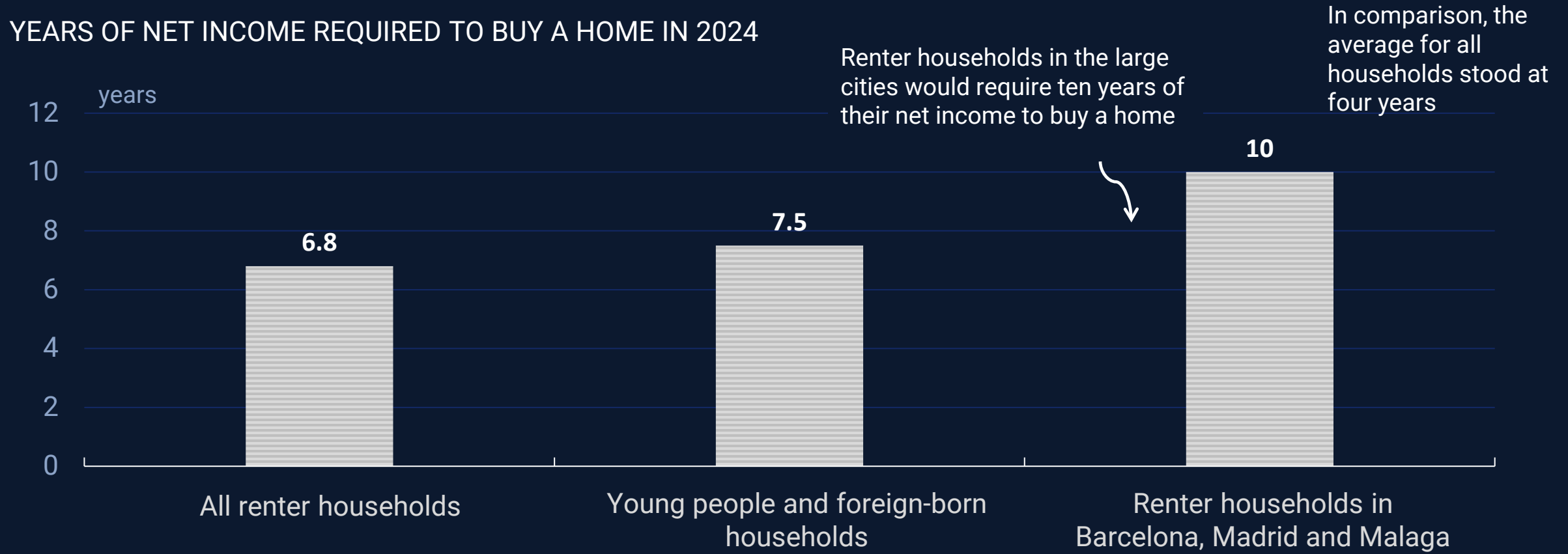
HOUSING PURCHASE PRICE-TO-HOUSEHOLD INCOME RATIO (1980 = 100)

Real disposable income of households in Spain rose by a multiplier of 1.8, compared with 1.6 in the euro area, but real house prices rose by 3.5, compared with 1.8 in the euro area.



Source: OECD, Analytical House Price Indicators (OECD 2026). The indicator is calculated as the ratio of the residential house price index to household net disposable income per capita according to National Accounts data. An increase in this ratio indicates a higher potential cost burden for households wishing to purchase a home.

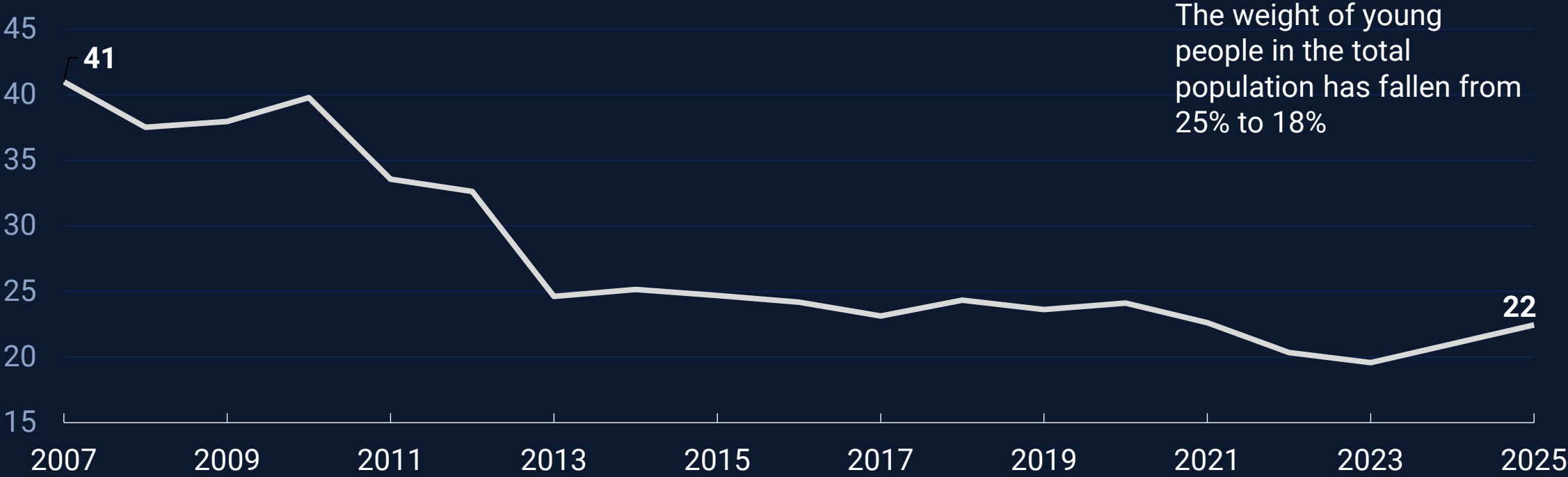
... and is at its highest levels among young adults and new residents, and in the large cities ...



Source: Banco de España, drawing on data from the Household Panel (AEAT, INE and Fiscal Studies Institute) and the General Council of Notaries.

... which has caused a drop in the relative share of purchases by young people over the last two decades

HOUSES BOUGHT BY 18-35s (% of total purchases)

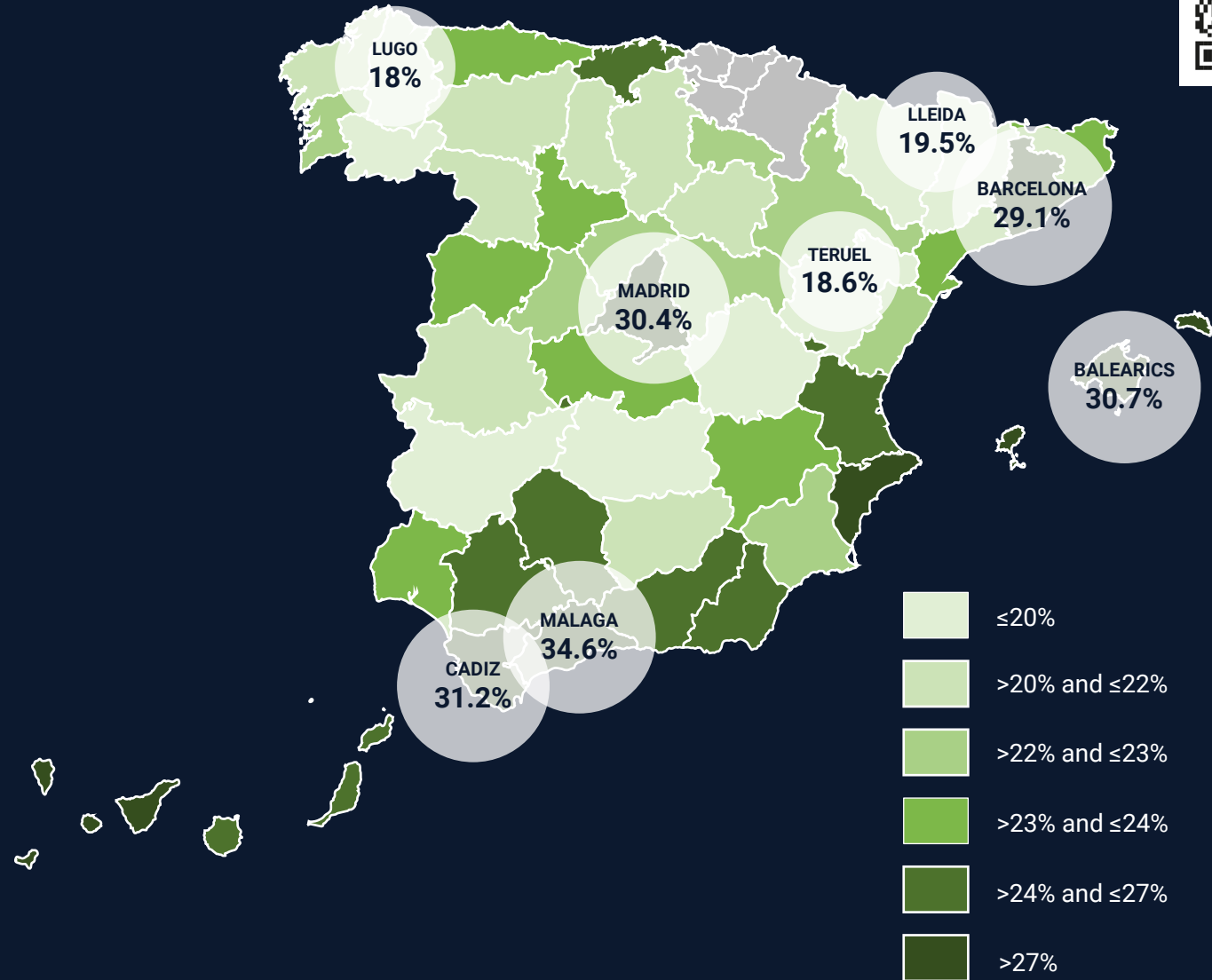


Source: Banco de España, drawing on data from the General Council of Notaries and INE.

The difficulty of buying a house shifts demand to the residential rental market ...

... raising rents and the rental burden, which stands at 30% of net household income in the areas with the highest demand

AVERAGE RENT AS A % OF NET INCOME



Source: Banco de España, drawing on data from the Household Panel (AEAT, INE and Fiscal Studies Institute) and AEAT.



SUPPLY

The new housing supply collapsed after 2008 and has not recovered owing to a wide range of interlinked factors ...

GENERAL GOVERNMENT

The **large-scale production of land and housing in the 2000s** gave rise to a surfeit of supply ...

... stymying new land development. This has been joined by **new problems in local urban land planning and management ...**

... exacerbated by the **lack of coordination and investment**, making it difficult, for example, to **connect new developments to the electrical grid**

CONSTRUCTION AND DEVELOPMENT SECTOR

The **post-2008 collapse and a structural drop in productivity of >20% since 1995**

- Low adoption of technology and industrialised construction

Lower productivity linked to small firm size

- Firms with >250 workers: 10%-15% of employment and 25%-30% of gross value added (GVA)

Small firm size and the productivity shortfall **constrain profitability and residential investment capacity**

LABOUR MARKET

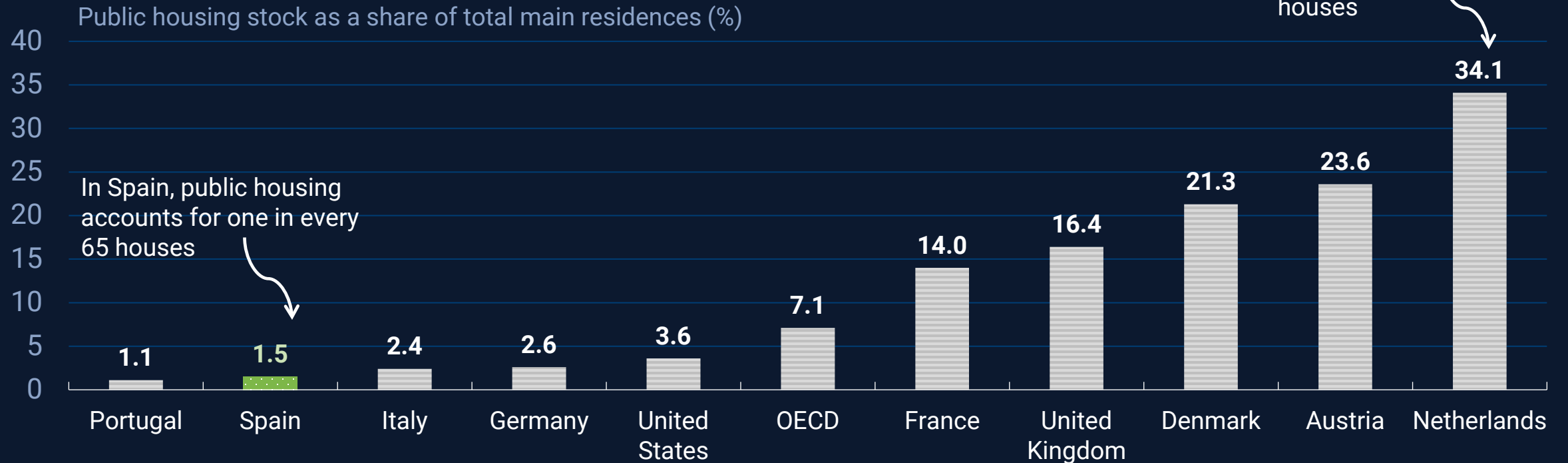
In spite of the recent increase, **workers in the construction sector account for around 7% of all social security registrations, 4 pp less than in 1999**

Productivity per hour worked has fallen and GVA per employee is 25% below that in the economy as a whole

Firms point to constraints on their activity owing to **labour shortages: 63% in 2025 Q4**

... and the public housing stock, which is small by international standards, has no capacity to ease affordability problems

PUBLIC HOUSING STOCK IN ADVANCED ECONOMIES



Source: Banco de España, drawing on data, for Spain, from INE and Ministerio de Transportes y Movilidad Sostenible, and, for advanced economies, from the OECD for 2022.

Analysis points to the need to prioritise structural policies to increase housing supply, against a backdrop of closer coordination between public administrations

MAIN MEASURES:

SOME EXAMPLES:

Actions aimed at **boosting housing supply**

- Affordable **public housing**, with a **greater role played by local authorities**
- Promote **industrialised construction**
- Boost **refurbishing and repurposing** of vacant dwellings

Emphasis on **urban planning and land management** measures

- **Regulatory simplification** by general government
- **+ Administrative capacity of local government**
- Transport infrastructure and **town planning**

Policies to **contain growth in demand**: temporary, properly designed and with an analysis of the associated risks

- **Limits on housing used for other purposes**
- **Measures targeting specific areas or groups** may be ineffective in areas where supply is rigid

1

Overview and outlook

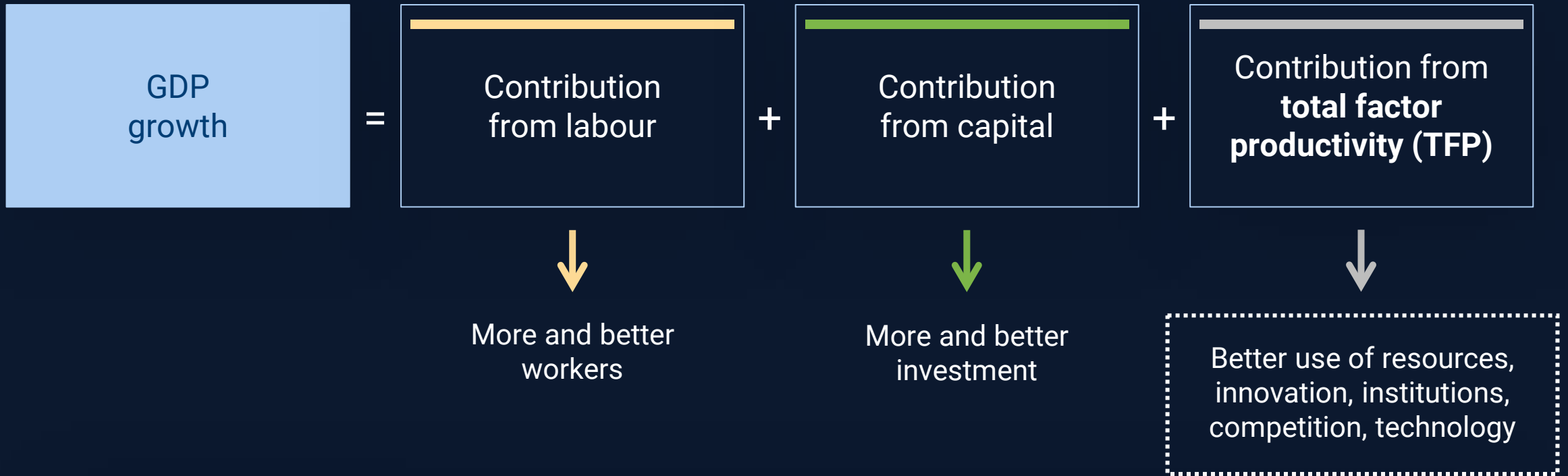
2

**Housing market
challenges: affordability
problems and supply-side
constraints**

3

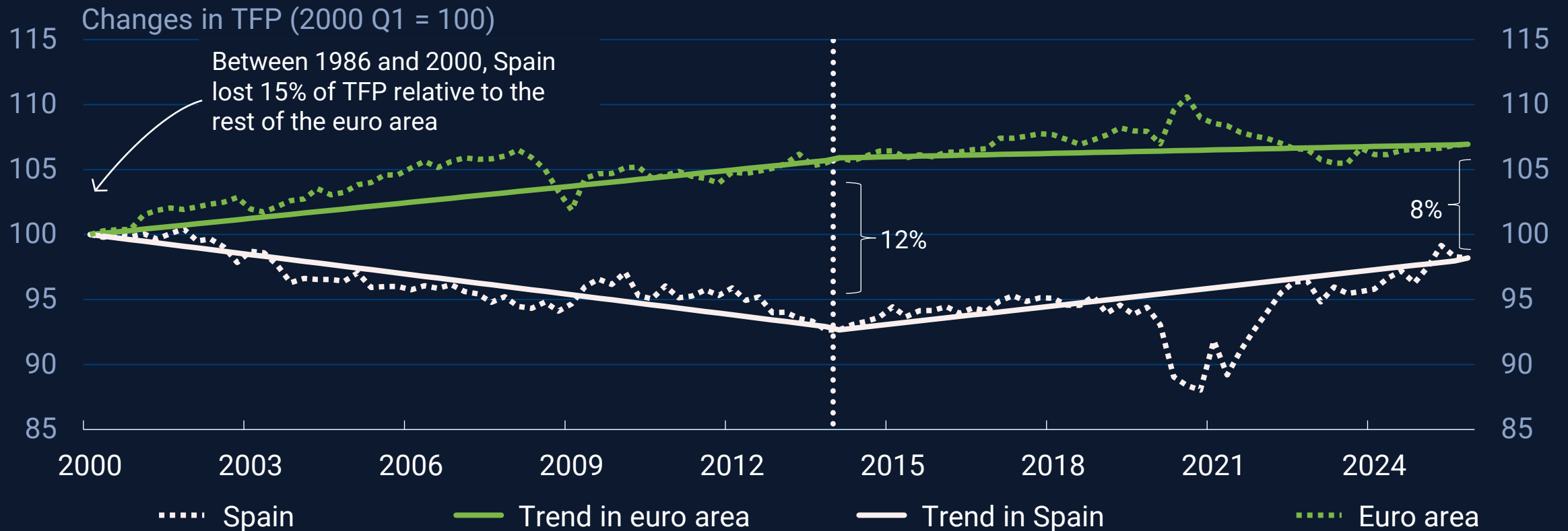
**The productivity challenge
and business growth: the
role of financing**

Total factor productivity is the main driver of long-term growth



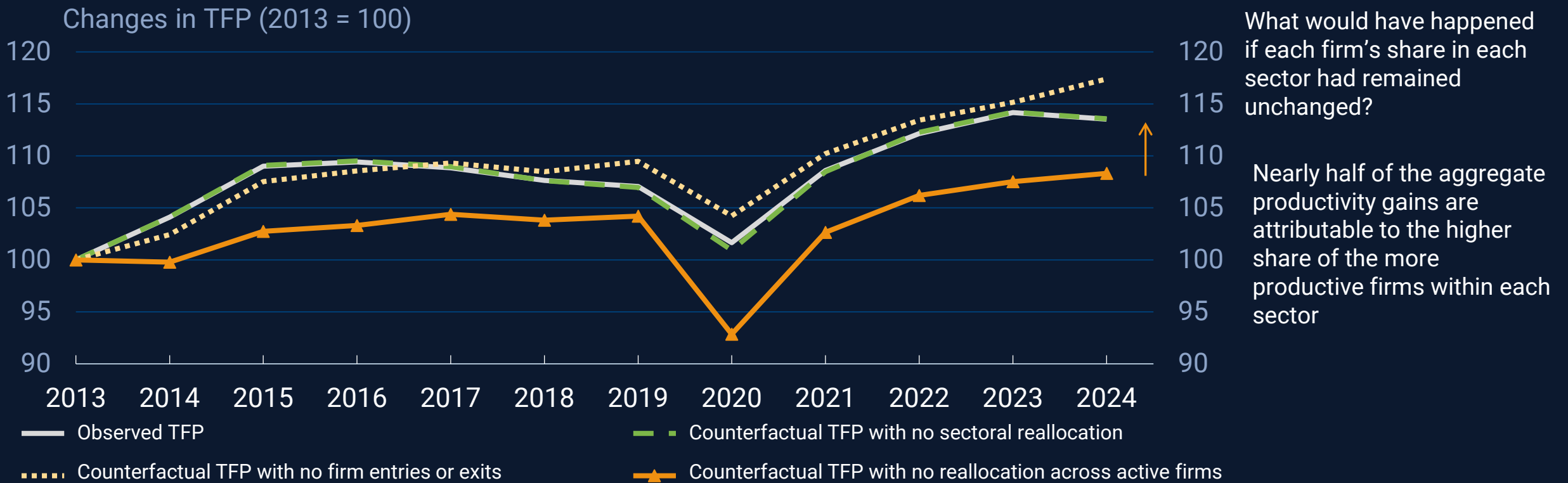
Analytical contribution: new quarterly TFP measurement for Spain and major European countries, which corrects for volatility and cyclical behaviour by factoring in the use of plant capacity and corporate profits

Following a period of divergence from the euro area, productivity in Spain has improved since 2013



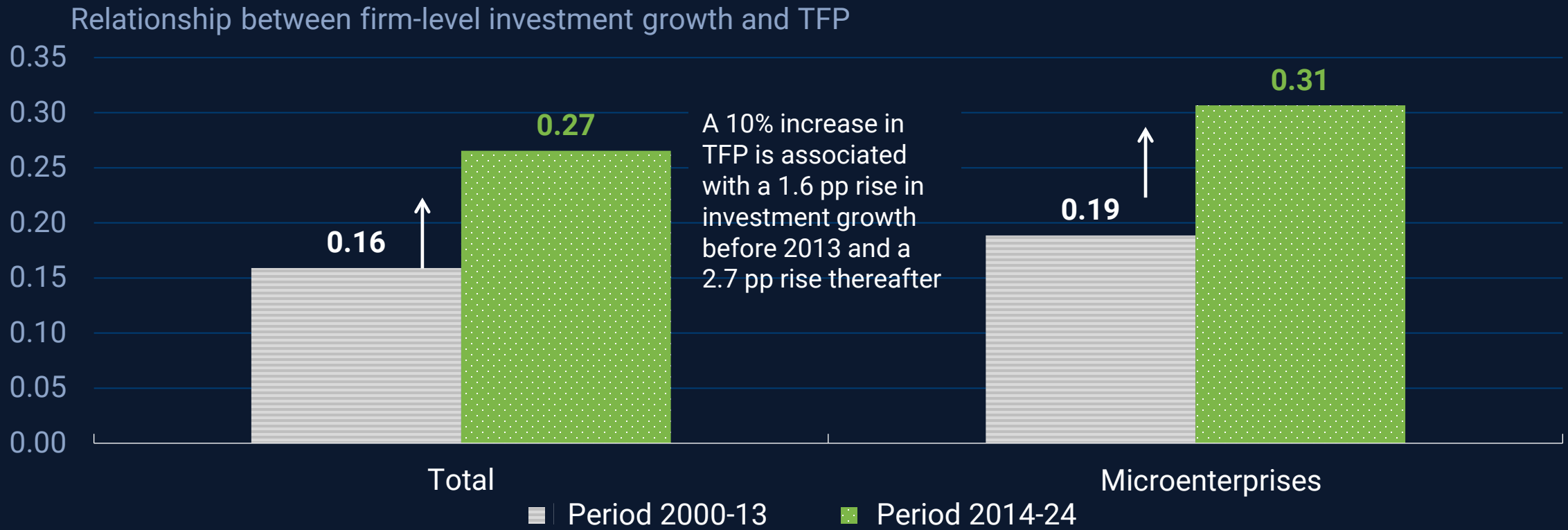
Source: Banco de España calculations, drawing on Eurostat, Ivie, LFS, ESS, European Commission and EUROPROD, based on the methodology of Comin, Quintana, Schmitz and Trigari (2025). The rest of the euro area includes Germany, France, Italy and the Netherlands. The results refer to the market economy, and thus the following sectors are excluded: agriculture (A), real estate activities (L), public administration (O), education (P) and healthcare (Q).

The improvement is chiefly attributable to the growth of more productive firms within each sector



Sources: Banco de España (CBI) and Orbis. Observed TFP is derived by aggregating firm-level estimated TFP: first, for four-digit sectors as the value-added weighted sum of firm-level TFP in each sector and, second, as the value-added weighted sum of sectoral TFPS. The "counterfactual TFP with no sectoral reallocation" series replicates the calculation while holding sectoral weights fixed at their 2013 levels. The "counterfactual TFP with no firm entries or exits" series only considers firms included in the CBI database throughout the entire period. The "counterfactual TFP with no reallocation across active firms" series also focuses on firms that remained active throughout the entire period and applies 2013 firm-level weights.

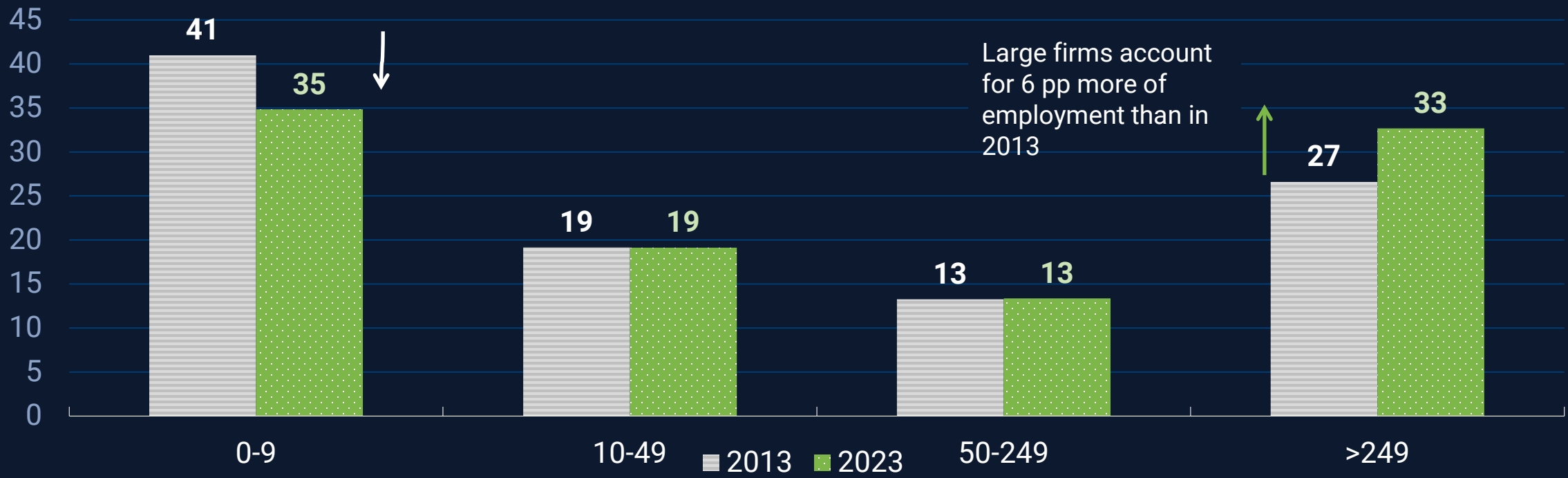
The relationship between business productivity and investment has strengthened since 2013: more productive firms invest more



Sources: Banco de España (CBI) and Orbis. The dependent variable is investment growth and the variable of interest is lagged TFP interacted with a period indicator (up to 2013 and from 2014). Firm size and sector-year fixed effects are included.

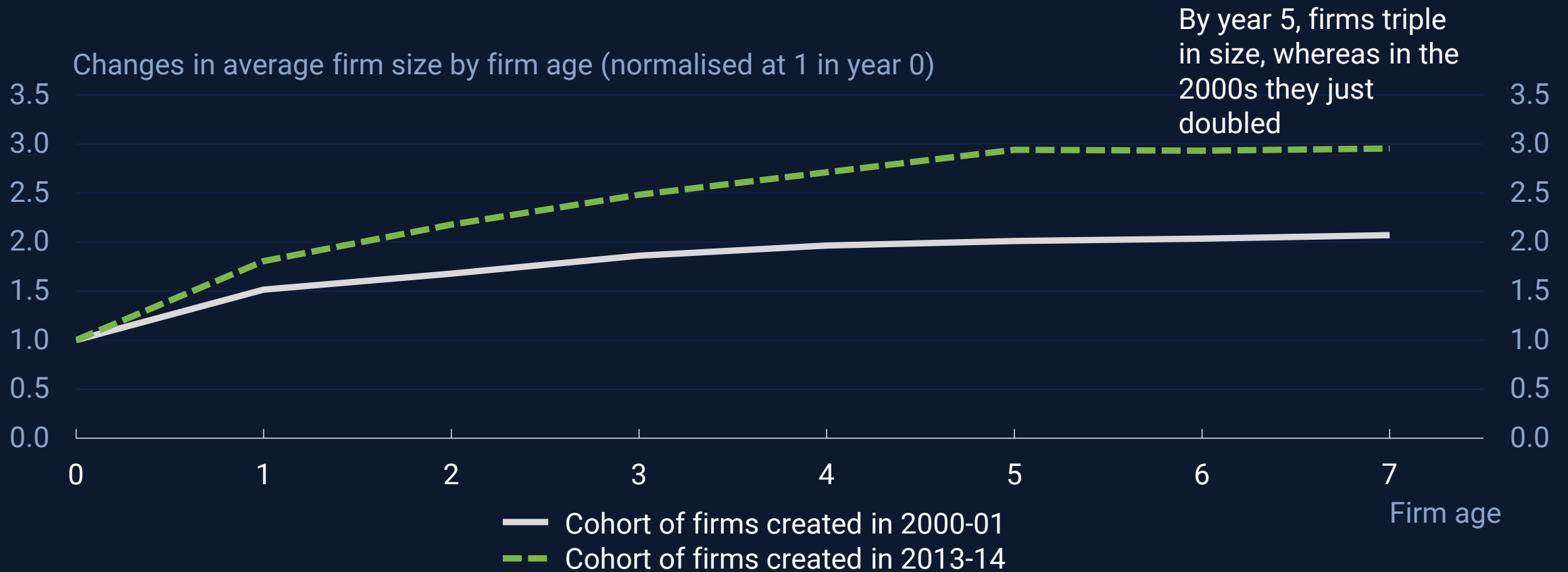
Firm size has also increased ...

SHARE IN EMPLOYMENT BY FIRM SIZE (%)



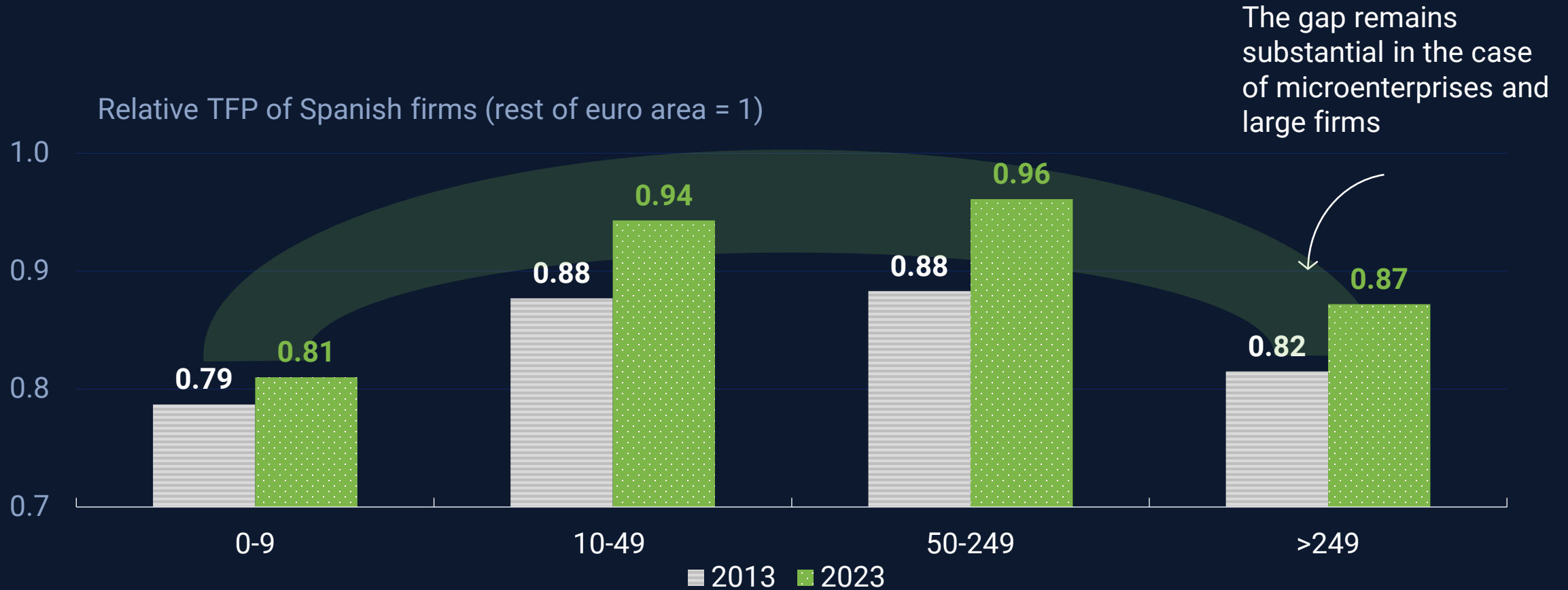
Source: European Commission.

... and young firms are growing faster now than they did in the 2000s



Sources: Banco de España (CBI) and Eurostat. Median employment by firm age is calculated at the two-digit sector level and aggregated using value added weights.

Spanish firms' productivity gap relative to the rest of the euro area has narrowed across all firm sizes



Sources: Banco de España (CBI) and Orbis. Estimated firm-level TFP at Spanish firms relative to firms in Germany, France, Italy and the Netherlands. Estimates are obtained from year- and firm size-specific regressions in which the dependent variable is the TFP and country indicators are included. The results are expressed relative to the omitted category (that of the rest of the euro area), normalised to 1. The bars denote the estimated coefficients for 2013 and 2023.

Firms' financing has played a key role

Deleveraging has strengthened Spanish firms' financial position

Bank credit allocation towards more productive firms has improved notably

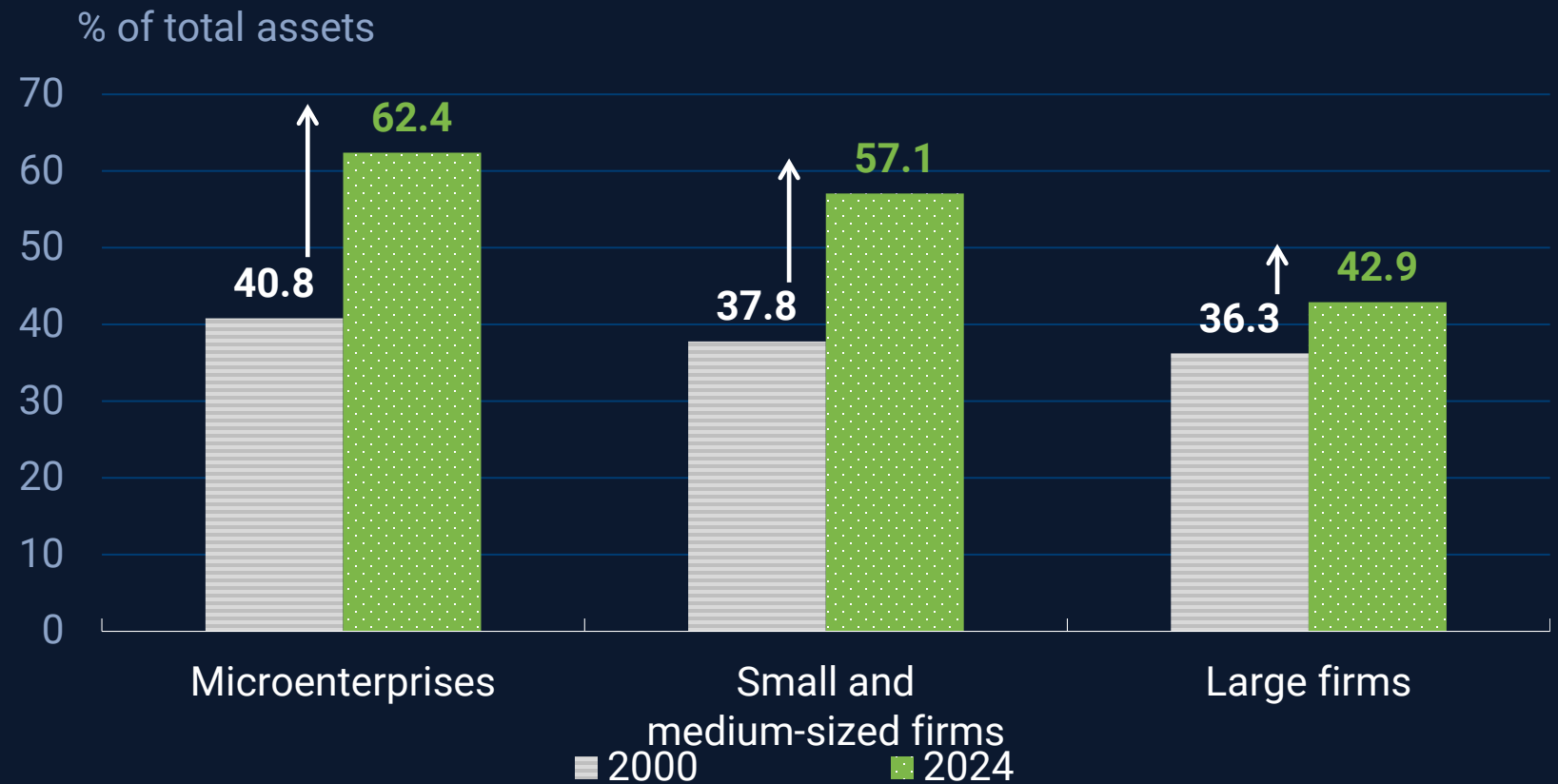
Alternative financing sources such as venture capital have helped boost funding for more productive firms

Firms have strengthened their financial position by increasing their own funds

This deleveraging also appears to be largely driven by firms' decisions to strengthen capital and reinvest earnings.

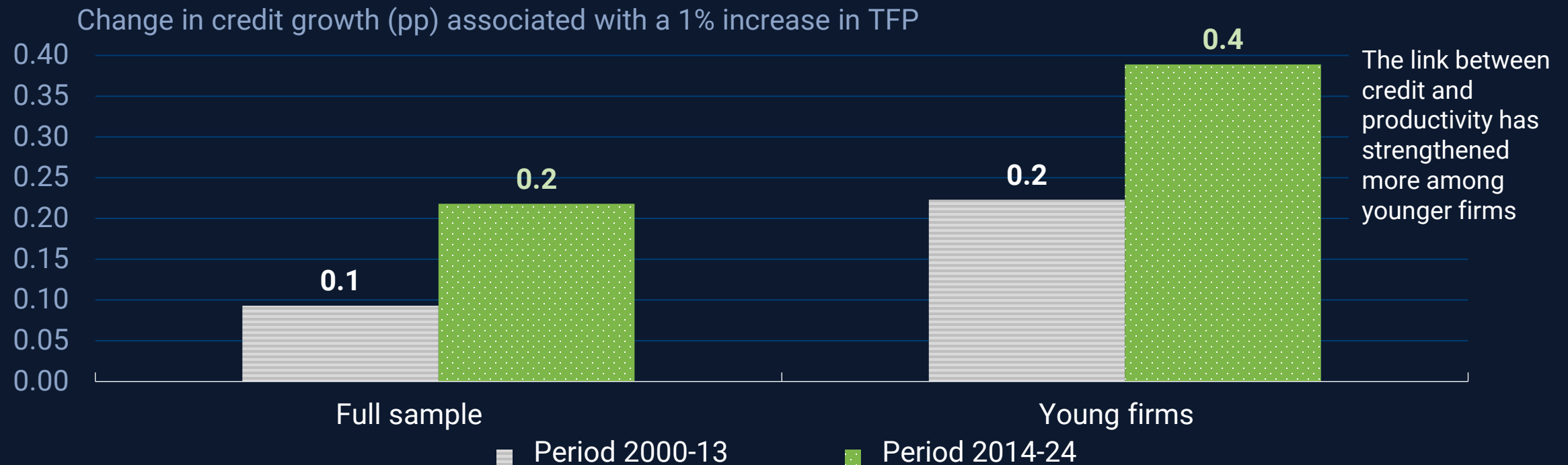
Return on capital is a key factor in investment decisions and in the recovery following the global financial crisis

INTERNAL FINANCING OF SPANISH FIRMS, BY SIZE



Bank credit allocation has improved and become more closely linked to each firm's productivity

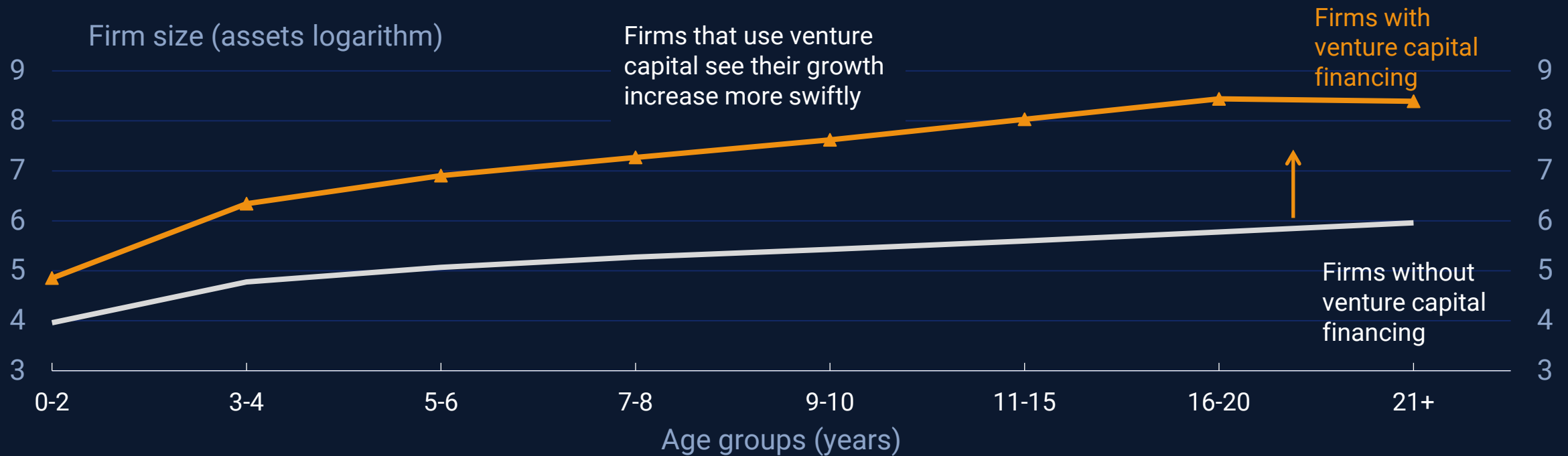
LINK BETWEEN CREDIT GROWTH AND BUSINESS PRODUCTIVITY



Source: Banco de España. Results from estimating a regression of credit growth on the logarithm of productivity, controlling for other firm characteristics (probability of default, age, size, number of banking relationships, existence of previous troubled loans, affiliation to a business group). All independent variables are lagged by one year. Firm fixed effects and size-industry-province-year fixed effects are also included. Young firms are those created within the last five years, with all others being classified as mature firms. The sample period is 2004-24. All the effects reported are statistically significant.

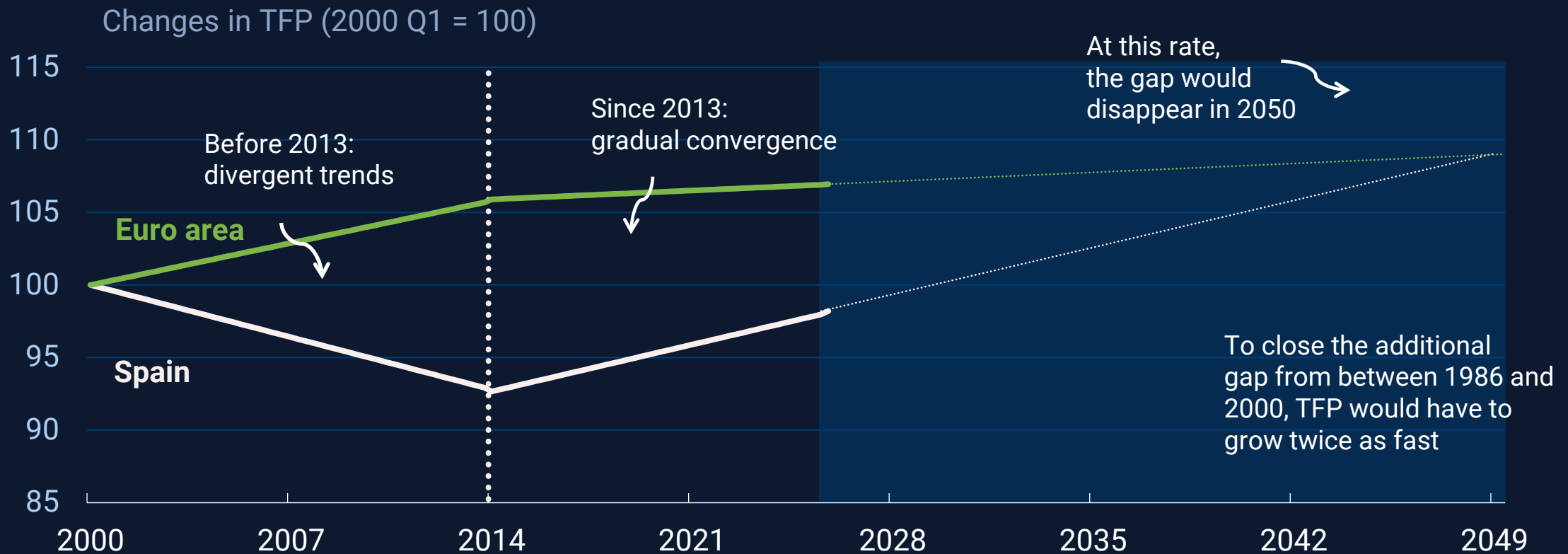
Venture capital is associated with growth, innovation and productivity

LIFE CYCLE OF SPANISH FIRMS, BASED ON THEIR USE OF VENTURE CAPITAL



Source: Banco de España (CBI), Orbis and PitchBook. The dependent variable in the regression model is firm size, defined as the logarithm of total assets. The explanatory variables of interest are: (i) binary variables that take the value 1 when the firm's age, in years, is within a given interval (0-2, 3-4, 5-6, 7-8, 9-10, 11-15, 16-20, and 21 or more); (ii) a binary variable indicating whether the firm received venture capital at any point during the sample period; and (iii) interactions between this latter variable and the age categorical variable. Sector fixed effects (at the two-digit CNAE level) and firm cohort fixed effects are included. The estimation period is 2011-24. Standard errors are clustered at the firm level.

What are the main challenges to closing the productivity gap?



Sources: Banco de España calculations drawing on Eurostat, Ivie, LFS, ESS, European Commission and EUROPROD, based on the methodology of Comin, Quintana, Schmitz and Trigari (2025). The rest of the euro area includes Germany, France, Italy and the Netherlands. The results refer to the market economy, and thus the following sectors are excluded: agriculture (A), real estate activities (L), public administration (O), education (P) and healthcare (Q).

Two challenges shape convergence: (i) the regulatory framework and administrative coordination and (ii) technology transfer

REGULATORY FRAMEWORK AND ADMINISTRATIVE COORDINATION

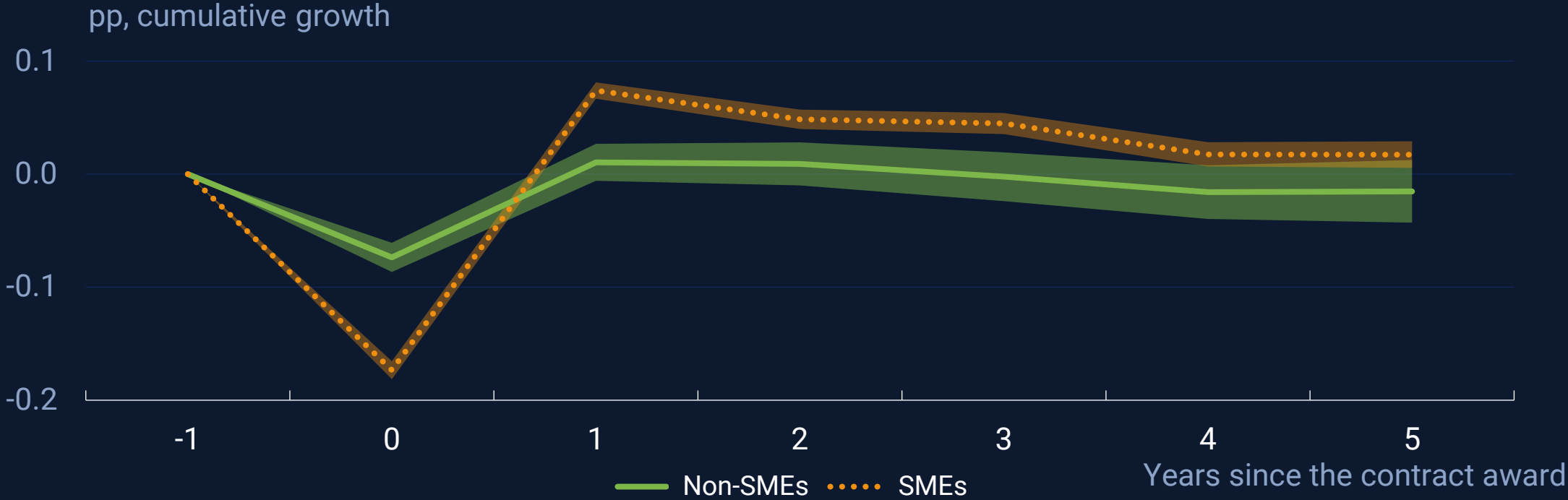
- Regulatory density and fragmentation
- Regional heterogeneity
- Obstacle to SMEs' growth
- Less efficient resource allocation

HUMAN CAPITAL AND ARTIFICIAL INTELLIGENCE

- Skills mismatch between education and firms' needs
- Importance of technology transfer, increased relevance with the spread of AI
- Key if AI is to lead to widespread productivity gains

Access to public tenders has a significant impact on Spanish SMEs' growth ...

IMPACT ON SPANISH FIRMS' SALES TO THE PRIVATE SECTOR, BY FIRM SIZE



Source: Tenders Electronic Daily and ORBIS. SMEs are defined as small and medium-sized enterprises with less than 250 employees.

... but the difficulties faced by SMEs in accessing tenders in Spain have increased

SME PENALTY IN ACCESSING PUBLIC PROCUREMENT



Source: Tenders Electronic Daily and ORBIS. The chart shows the average marginal effects of being a small or medium-sized enterprise on the probability of winning a public contract. This probability is estimated using a logit model that controls for age, size, productivity and accumulated experience in public procurement. The model includes country-specific sectoral and time effects and allows coefficients to differ between Spain and the rest of the euro area. The effects can be interpreted as the average difference in the probability of being awarded a contract between SMEs and large firms with comparable observable characteristics.

Two challenges shape convergence: (i) the regulatory framework and administrative coordination and (ii) technology transfer

REGULATORY FRAMEWORK AND ADMINISTRATIVE COORDINATION

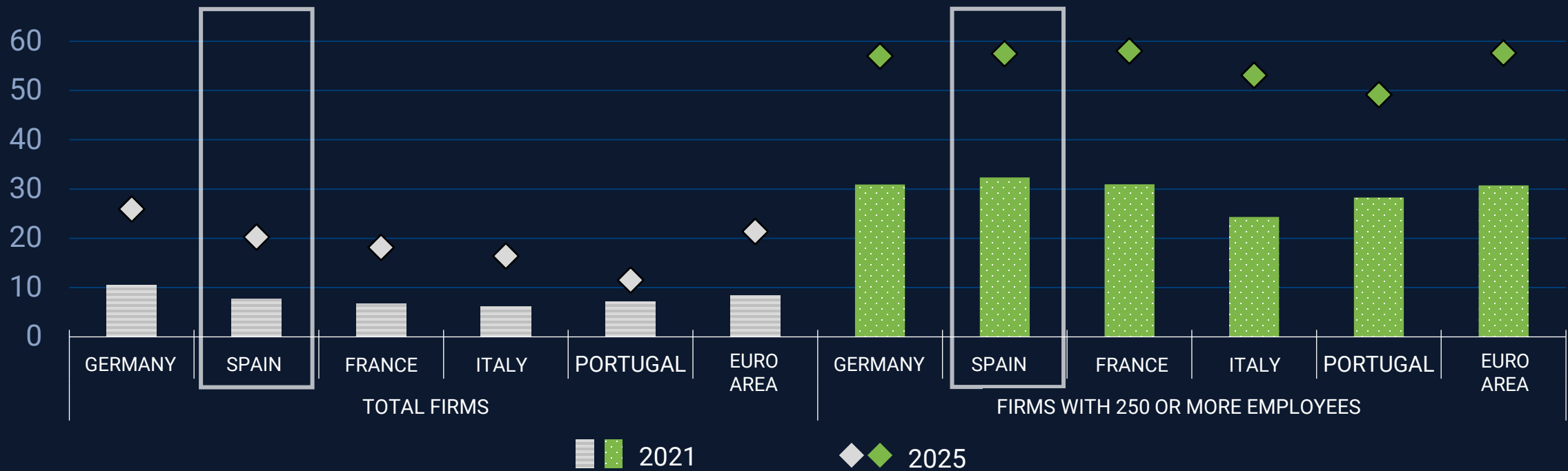
- Regulatory density and fragmentation
- Regional heterogeneity
- Obstacle to SMEs' growth
- Less efficient resource allocation

TECHNOLOGY TRANSFER AND ARTIFICIAL INTELLIGENCE

- Skills mismatch between education and firms' needs
- Importance of technology transfer, increased relevance with the spread of AI
- Key if AI is to lead to widespread productivity gains

Although AI is being adopted swiftly, challenges persist with regard to technology transfer and the impact on productivity

PROPORTION OF FIRMS USING ARTIFICIAL INTELLIGENCE (%)



Source: Eurostat (Survey on ICT usage and e-commerce in enterprises). Firms with 10 or more employees. Specifically, firms that report using at least one of the AI technologies included in the survey are considered adopters. These technologies include, among others, text mining, language recognition and/or generation, image recognition, machine learning techniques, process automation and autonomous robotics.

Institutional consensus and continuity in public policy design over time are key to maintaining the improvement

FINANCIAL SYSTEM

- Banking system restructuring
- New regulatory and supervisory framework
- Better credit allocation

LABOUR MARKET

- Reforms in 2010, 2012 and 2021
- Less duality
- More internal adjustment and efficient reallocation
- Additional support: migration policies

DIGITALISATION AND CONNECTIVITY

- Roll-out of more advanced digital infrastructure than in the euro area (higher DESI index between 2015 and 2025):
 - 5G and fibre connectivity
 - Basic digitalisation for firms

INTERPRET WITH CAUTION

The recent improvement may be attributable to exogenous factors and to public policy and structural reforms alike. The effects are gradual, interact with each other and are difficult to isolate empirically

Thank you

